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NUNAVUT WATER BOARD
NUNAVUT IMALIRIYIN KATIMAYINGI
OFFICE DES EAUX DU NUNAVUT

File: 1AR-POL0311/Security

May 5, 2009

Kevin Buck
Manager Water Resources
Indian and Northern Affairs Canada
P.O. Box 2000
Iqaluit, NU X0A 0H0
E-mail: Kevin.Buck@inac-ainc.gc.ca

Re: Security Posted by Teck Cominco for Water Licence 1AR-POL0311

Dear Kevin,

I am writing regarding water licence 1AR-POL0311 (Licence). Further to the Nunavut Water Board's (NWB or Board) request for comments issued on April 24, 2009, the NWB has reviewed the Licence and the related application to reduce security pursuant to the Licence. The Licence states under Part B, Item 2:

The Licensee shall post and maintain security in the amount of \$33.7 million in the form required by the Minister of Indian and Northern Affairs Canada, to be paid in accordance with the following schedule:

- a. Within 90 days of issuance of the license a total amount of \$3.7 million;
- b. Subject to Part B, Item 3 and 4, a total amount of \$18 million due December 31, 2003; and
- c. Subject to Part B, Item 3 and 4, a total amount of \$12 million due December 31, 2004.

The NWB has on record an irrevocable letter of credit (ILoC) from the BMO for \$2.7 million, expiring on July 22, 2004, and an additional ILoC for \$14.7 million, expiring on December 22, 2004 for a total of \$17 million. The Board understands that these ILoC's are renewable on a yearly basis unless otherwise notified by the institution; however, the NWB does not have a record of confirmation of these extensions. Furthermore, the NWB does not have a record of further security held by the Indian and Northern Affairs Canada (INAC) in accordance with the Licence requirement for security in the amount of \$33.7 million. Moreover, it appears from the documentation accompanying the application for a reduction in security currently before the Board that the amount current held by INAC is \$18.0 million.¹

¹ Indian and Northern Affairs Canada, Polaris Mine Abandonment and Reclamation, Review of Outstanding Items and Assessment of Crown's Remaining Liability, DRAFT Report prepared by BGC Engineering Inc., November 24, 2008.

Accordingly, the NWB is writing to seek clarification on the status of security pursuant to the Licence and confirmation from INAC as to the amount of security currently being held for this Licence. The Board requests INAC provide this information to the Board by the May 15, 2009 deadline specified in the NWB's correspondence of April 24, 2009.

If you have any questions on the above or require additional information, please contact the undersigned at (780) 443-4406 or by email at dts@nunavutwaterboard.org.

Regards,

Original signed by:

Dave Hohnstein, C.E.T.
A/Director Technical Services

cc. Bruce Donald, Teck Cominco