



Ottawa, Canada K1A 0H4

JUN 15 2003

Mr. Thomas Kudloo  
Chair  
Nunavut Water Board  
PO Box 119  
GJOA HAVEN NU X0B 1J0



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Dear Mr. Kudloo:

This is in response to your letter of April 24, 2003, advising me that the Nunavut Water Board (Board) has issued a renewed Type A water licence for the Polaris Mine. Pursuant to section 56 (1) of the *Nunavut Waters and Nunavut Surface Rights Tribunal Act*, I hereby grant my approval to the renewal of water licence no. NWB1POL0311.

In reviewing the Board's Reasons for Decision, I noted that the security requirements for both the land and water-related components were jointly considered in the final security amount. While I acknowledge that it is sometimes difficult to separate the two components, I believe that the Board, operating under the authority of the *Nunavut Waters and Nunavut Surface Rights Tribunal Act*, must restrict itself to the water-related components. The Act provides explicit authorities and obligations for the Board, myself, and Indian and Northern Affairs Canada (INAC) regarding security deposits, and I am concerned with the legal uncertainty of dealing with land-related components within that legislative framework.

With respect to the Polaris security, INAC is both the land and water manager; thus, the segregation of land and water-related security was made through an internal process. It has been agreed that the water-related component is \$8.4 million of the total \$33.7 million. In future licencing matters, however, the land and water may be managed by different entities. In my view, such a situation would only increase the legal uncertainties surrounding combined securities and securities with joint payees. Licences containing such conditions and considerations would place me in the position of not being able to grant approval.

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In the future, I would encourage the Board, in co-operation with the land managers, to resolve this issue so that the water licence security requirement does not include land-related components. I am confident that with continued co-operation we can meet our obligations and provide a responsible water management regime.

I trust that this response will be of assistance.

Yours sincerely,

A handwritten signature in black ink, appearing to read "Robert D. Nault". The signature is fluid and cursive, with a long horizontal stroke at the end.

Robert D. Nault, PC, MP