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NUNAVUT WATER BOARD

NUNAVUT IMALIRIYIN KATIMAYINGI

February 8, 2006

File No: NWB1LUP0008

Mr. Michael Tansey
Reclamation Coordinator - Lupin
Kinross Gold Corporation
9818 Edmonton International Airport
Edmonton AB T5J 2T2

Subject : Amalgamation of Echo Bay Mines and Kinross Gold Corporation

Dear Mr. Tansey:

I have reviewed your January 18, 2006 letter and attachment regarding the amalgamation of Echo Bay Mines (EBM) and Kinross Gold Corporation (KGC).

While it is not clear whether your letter is an application for an assignment of EBM's water license to KGC, the issue is whether or not the amalgamation constitutes *de facto* an assignment of the water license for purposes of section 44 of the *Nunavut Waters and Nunavut Surface Rights Tribunal Act* (NWNSTRA).

In the case of the amalgamation of EBM and KGC, the question revolves around whether the amalgamation of a wholly owned subsidiary and a parent corporation constitutes a "sale or other disposition by a licensee" for purposes of section 44 of the NWNSTRA.

The amalgamation took place under the *Ontario Business Corporations Act* (OBCA). Section 179 of the OBCA describes the effect of an amalgamation. The amalgamating corporations, including EBM as the licensee, cease to exist as entities separate from the amalgamated corporation. After the amalgamation it is the amalgamated corporation (i.e. the new KGC) that possesses all of the rights of the pre-amalgamated corporations.

I understand that with EBM having been a wholly owned subsidiary of KGC, there is essentially no change in control over the license. However, based on the statute it is arguable that the effect of the amalgamation is a transfer from EBM to KGC of the rights inherent in the water license. I do note that for income tax purposes, an amalgamation is deemed to be a sale of the amalgamating corporations, although the *Income Tax Act* in effect protects an amalgamated entity from negative tax consequences particularly when there is no change in control.

Considering section 44 of the NWNSRTA, the Board is required to authorize an assignment of the license provided it is satisfied the assignment will not likely result in a contravention of the conditions of the license or the relevant provisions of the NWNSRTA and the regulations. In circumstances where there is effectively no change in control resulting from an amalgamation, the authorization of an assignment is a straightforward matter and the end and best result would be to have the Lupin Mine water license held in the correct corporate name.

Accordingly, unless KGC has an objection, we will be treating the amalgamation as a disposition for purposes of section 44. On this basis, we would like to advise KGC that we are interpreting your letter as a request for authorization of an assignment, but before proceeding, we are asking you to confirm our interpretation.

Sincerely,

Original signed by:

Philippe di Pizzo
Chief Executive Officer

PDP/pb