

July 26, 2012

Phyllis Beaulieu
Manager of Licensing
Nunavut Water Board
P.O. Box 119
Gjoa Haven, NU
X0B 1J0

Re: 2BB-BOS0712 Renewal – Comments Response

Dear Ms. Beaulieu,

Hope Bay Mining Ltd. (HBML) has reviewed the comments received in regards to our application to renew water licence 2BB-BOS0712 and would like to provide the NWB with the following response regarding comments made by Aboriginal Affairs and Northern Development Canada (AANDC) on June 4, 2012.

Issue 1: Proposed ten year renewal

AANDC requests that the NWB renew licence 2BB-BOS0712 on a one year or two year term instead of a ten year term. HBML proposed a ten year renewal term for this licence because no activities, other than geological exploration and camp operation, as currently permitted, are planned for the foreseeable future once the company decides to take the project out of care and maintenance. As is currently the case, HBML will maintain adequate security for the site and will maintain current the land use licence issued to HBML by the Kitikmeot Inuit Association for activities at Boston Camp. As discussed below in *Issue 2*, HBML has submitted a revised Abandonment and Reclamation Plan for Boston Camp. Furthermore, as discussed below in *Issue 3*, HBML is preparing, and will be submitting, an updated statement of financial security for Boston Camp. In light of these factors, we believe a ten year renewal request to be appropriate. The Nunavut Water Board (NWB), at their discretion, can address AANDC's concerns by requesting, for example, that we provide an updated statement of financial security as a condition of the renewed licence. Addressing AANDC's concerns in this fashion will eliminate the extra operational requirements of multiple renewal processes for the NWB within the next two years.

Issue 2: Submission of Revised Abandonment and Reclamation Plan

A revised Abandonment and Reclamation Plan for Boston Camp was submitted to the NWB in early July 2012 (titled *Boston Camp Revised Interim Closure Plan*) but has not yet been sent out for review by the NWB. This plan is a reflection of HBML's current plans for the eventual closure of Boston Camp. It is our understanding that the plan will be sent out for review once the licence has been renewed.

Issue 3: Financial security estimate requirements

While the existing financial security estimate for Boston Camp has not been revised in a number of years, there have also not been any significant changes to the facilities that would have changed the footprint, and thereby the security. The differences in values will be largely due to cost escalations over time. Following the submission of the revised Abandonment and Reclamation Plan in July 2012, HBML has been reviewing the financial security estimate for Boston Camp and is preparing an updated estimate. Our assumption is that a term of the new licence will require us to provide a revised security estimate in 60 to 90 days after the renewal is granted. This will allow us make sure that the requirements of the renewed licence do not alter our calculations before we submit it to the NWB, AANDC, and the KIA. Given KIA ownership of the surface lands, HBML assumes that the security will be split between land and water.

Issue 4: Naming of Joint Payees on Security Deposit

To be addressed by the NWB.

Issue 5: Combining Water Licence No. 2BB-BOS0712 and No. 2BE-HOP0712

To be addressed by the NWB.

Should you have any questions regarding this submission or require any additional information, please do not hesitate to contact me directly.

Sincerely,

Chris Hanks
VP Environmental Affairs
Hope Bay Mining Ltd.