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NUNAVUT WATER BOARD
NUNAVUT IMALIRIYIN KATIMAYINGI
OFFICE DES EAUX DU NUNAVUT

File: 2BE-GOO1015

January 31, 2011

John Laitin
Manager Technical Services and Logistics
Sabina Gold & Silver Corp.
930 West 1st Street, Suite 202
North Vancouver, BC V7P 3N4
Email: jlaitin@sabinagoldsilver.com

RE: 2BE-GOO1015 Type 'B' – Amendment No.2

Dear Mr. Laitin:

Please find attached, Amendment No.2 to Licence No. 2BE-GOO1015 Type "B" issued to Sabina Gold & Silver Corp. by the Nunavut Water Board (NWB) (**Motion 2010-23-L18**) pursuant to its authority under Article 13 of the *Agreement between the Inuit of the Nunavut Settlement Area and Her Majesty the Queen in Right of Canada* and the *Nunavut Waters and Nunavut Surface Rights Tribunal Act*. The terms and conditions of the original Licence related to water use and waste disposal remain an integral part of this approval.

The NWB notes that, among others, there is a NIRB Decision, File No.08EA084, which indicates that the project is exempt from screening pursuant to Section 12.4.3 of the NLCA. The confirmation from NPC states that a land use plan conformity review is not required.

The NWB recommends that the Licensee consult the comments received by interested persons¹. This information is attached for your consideration.

Sincerely,

Thomas Kabloona
Nunavut Water Board
Chair

TK/kk

¹ Department of Fisheries and Oceans Canada (DFO), dated January 5, 2011; Environment Canada (EC), dated December 20, 2010; Government of Nunavut Department of Culture, Language, Elders and Youth (GN-CLEY), dated December 7, 2010; Indian and Northern Affairs Canada, dated January 7, 2011; Kitikmeot Inuit Association (KIA), dated January 7, 2011.

Enclosure: Licence No. **2BE-GOO1015 - Amendment No.2**
Comments - DFO, EC, GN-CLEY, INAC, KIA
Cc: Distribution –Kitikmeot

LICENCE AMENDMENT No. 2

Licensee:	SABINA GOLD & SILVER CORP.
Licence No:	2BE-GOO1015 Type “B”
Licence Issued:	March 26, 2010
Amendment No.1 issued	October 18, 2010
Amendment No.2 issued	January 28, 2011
Licence Expiry:	March 31, 2015

Pursuant to its authority under Article 13 of the *Agreement between the Inuit of the Nunavut Settlement Area and Her Majesty the Queen in Right of Canada* and the *Nunavut Waters and the Nunavut Surface Rights Tribunal Act*, with respect to the application for amendment dated November 28, 2010, made by Sabina Gold & Silver Corp., the Nunavut Water Board hereby grants the following Licence amendment.

The Licence issued March 26, 2010 with an expiry date of March 31, 2015 shall be amended to include the following terms and conditions, with respect to use of water and deposit of waste during camp operations and activities related to exploration that include prospecting, geological mapping, geophysical airborne surveys, trenching and diamond drilling on land and ice, to allow for the increase of quantity of water use at the Goose Lake and local lakes in area of seasonal camps, Back River Project, based at the Goose Lake Camp located within the Kitikmeot Region, Nunavut, generally located at latitude: 65°32'40"N, longitude: 106°25'35"W and within supporting four (4) small seasonal camps, allowed for under Part E, Item 5 in Amendment 1, dated October 18, 2010.

The NWB received comments on the amendment application from the Department of Fisheries and Oceans Canada (DFO), Environment Canada (EC), Government of Nunavut Department of Culture, Language, Elders and Youth (GN-CLEY), Indian and Northern Affairs Canada (INAC) and Kitikmeot Inuit Association (KIA).

In its submission, INAC recommended that water balance calculations be conducted for the water source(s) from which the increased water volume will be taken so as to satisfy its concerns as they related to drawdown. In addition, it is recommended that the proponent implement appropriate measures to minimize water ponding, accumulation and runoff, as well as provide a minimum of 10 days notice prior to any discharge of water or wastewater.

DFO stated that the proponent should ensure that pump intake structure and pump intake velocity are consistent with DFO's *Freshwater Intake End-of-pipe Fish Screen Guideline* (1995). Water withdrawal from non-flowing fish-bearing, waterbodies with less than 1.5m of free water beneath the ice should be avoided. It was also noted that the total water withdrawal from a non-flowing fish bearing waterbody should not result in a reduction in water surface elevation of more than 5 cm, or result in a reduction in flow at the lake outlet of 5% or more of instantaneous flow.

EC indicated that all drilling effluent should be directed to a sump that is properly constructed and adequately sized to ensure there is no runoff and water bodies downstream of drilling activities are not affected. EC's technical Document on Batch Waste Incineration should be consulted for appropriate incinerator technologies.

GN-CLEY and KIA expressed no concerns with the proposal.

In a letter dated January 21, 2010, the Licensee provided responses² to the above-mentioned intervenor comments. The Licensee stated that *for the 2011 period, Sabina is planning to operate Goose camp to support exploration programs including drilling programs around the Goose, Umwelt and Llama mineralized areas. Water obtained from Goose Lake will be for both domestic and drilling purposes whereas water obtained from Umwelt and Llama Lakes would be used for drilling purposes only.*

Rescan Environmental Services Inc. (Rescan) was retained by Sabina Gold & Silver to assess the potential impacts of the drawdown for these three lakes that would support the exploration program. The Licensee stated that the result of the assessment does indicate that *Goose and Llama Lakes can accommodate water supply for 8 drill rigs each using up to 30m³/day/rig under winter conditions and be in compliance with DFO Protocols (DFO 2010) limiting volume changes of to up to 10% of the total available lake water volume. Bathymetry information for Umwelt Lake shows that at its maximum it is 2.7m deep; this is too shallow for winter withdrawal based on the DFO Protocols. As indicated, the Licensee is planning exploration activities to accommodate this limitation and will source water from lakes in the area that can accommodate the withdrawal. Rescan reported that the changes in water levels of Goose, Llama and Umwelt Lakes are very low (<0.12m for all three lakes), and will likely not result in adverse effects to shoreline fish habitat. The expected changes in lake water levels are within the range of natural water level fluctuations due to wind-induced waves.*

Having considered the amendment application and comments received, as well as Sabina's responses to the comments, Licence 2BE-GOO1015 shall be amended as follows:

The Licence, (Page 1), shall be amended to indicate the following:

Quantity of Water use not to Exceed: **TWO HUNDRED AND NINETY SEVEN (297) CUBIC METRES PER DAY**

PART C: CONDITIONS APPLYING TO WATER USE

Amend Item 1 The Licensee shall obtain all water for domestic camp use from Goose Lake and local lakes in area of temporary camps. Total domestic water use shall not exceed forty five (45) cubic metres per day: thirty (30) cubic metres per day from Goose Lake and fifteen (15) cubic metres per day from local lakes in area of temporary camps. Water use for storage, discharge, diversion/collection associated with exploration activities shall not exceed twelve (12) cubic metres per day from Goose Lake. Drill water shall be obtained from Goose, Umwelt and Llama Lakes

² Sabina Gold & Silver Corp., dated January 21, 2011.

during the summer and Goose and Llama Lakes during the winter exploration activities, and shall not exceed two hundred and forty (240) cubic metres per day. The total volume of water for the purposes of this Licence shall not exceed two hundred and ninety seven (297) cubic metres per day.

PART D: CONDITIONS APPLYING TO WASTE DISPOSAL

Insert Item 12 The Licensee shall, at least ten (10) days prior to initiating the release of effluent from the Trench, notify an Inspector. The notice shall include water quality results, an estimate of volume and the proposed receiving location.

PART I: CONDITIONS APPLYING TO ABANDONMENT AND RESTORATION PLANNING OR TEMPORARY CLOSING

Insert Item 14 The Licensee shall stockpile all overburden and vegetation materials removed during trenching activities for later use in reclamation/re-contouring once trenching activities are completed. Erosion prevention measures shall be consistent with Part C, Item 7.

Insert Item 15 The Licensee shall restore all trenches prior to the closure of seasonal exploration programs and removal of equipment from site. Trenches are to be in-filled and covered with stockpiled overburden materials and re-contoured to the natural terrain, providing drainage away from nearby watercourses.

All remaining terms and conditions of the Licence 2BE-GOO1015 Type ‘B’ dated March 26, 2010 and Amendment No.1 dated October 18, 2010 still apply.

This Licence Amendment issued and recorded at Gjoa Haven, NU January 28, 2011.

Approved by,



Thomas Kabloona
Nunavut Water Board
Chair