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NUNAVUT WATER BOARD
NUNAVUT IMALIRIYIN KATIMAYINGI
OFFICE DES EAUX DU NUNAVUT

File: 2BE-RBP0608/Licence

July 7, 2008

Candace Ramcharan
Roche Bay plc.
Chandler & Cooper
Suite 203, 626 Tumiit Plaza
PO Box 2021
Iqilaut NU X0A 0H0
Email: candace@rochebay.com

and,

Advanced Explorations Inc.
50 Richmond Street East
Suite 300
Toronto, Ontario
M5C 1N7

RE: 2BE-RBP0608 Type “B” – Amendment No.3

Dear Ms. Ramcharan:

Please find attached Amendment No.3 to Licence 2BE-RBP0608 Type “B” issued to Roche Bay plc. and Advanced Exploration Inc. by the Nunavut Water Board (NWB) (**Motion 2008-04-L02**) 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 application for amendment of the Roche Bay Project Type “B” Water Licence was distributed on February 19, 2008 inviting interested persons to make representations before March 19, 2008. The Project is located approximately 60km from the Hamlet of Hall Beach. Distribution was made to local communities affected by the project including the Hamlets of Hall Beach, Igloolik and Repulse Bay.

The Licence 2BE-RBP0608 has, during the licence term, received two previous amendments. Amendment No.1 was issued on May 16, 2007 to add Advanced Exploration Inc. as a joint Licensee and Amendment No.2, issued on October 19, 2007 which allowed for an increased total water use from 100 m³/day to 200m³/day. The amendment application received January 30, 2008, once again requested an increase in water use, to a total of 510 m³/day.

The NWB would like to note, that this is the second request for increased water use within the term of this Licence. While it is not unusual to require additional water for carrying out significantly increased drilling activities, this is a considerable amount of water and were the activity classified as an Industrial Undertaking under Schedule II of the Regulations, this amount

of water, greater than 300 m³/day, would require an application for a Type “A” Licence. While the NWB has classified the undertaking as Mining and Milling, as the main purpose of the activity is to work towards and eventually develop a mine, the Regulations do not define the Type “A” classification based on the amount of water used. This obviously leaves a ‘grey’ area within the Regulations which does not adequately capture the activity currently taking place. The NWB recognizes that this higher than usual water volume being requested needs to be addressed, although it has continued to work with the Licensee under the auspices of a Type “B” Licence. The NWB would like to remind the Licensee that the current Licence will be expiring on August 31, 2008, and at that time, should the volume of water required to undertake the project activities remain the same or increase, the NWB will be seeking clarification and well documented evidence in writing as to why the project should not proceed along the ordinary course to a Type “A” License.

With respect to the water use, Advanced Explorations Inc.’s Project Summary that was submitted with the second amendment application, July 17, 2007, indicated that drilling practices included the set up for re-circulating. Specifically:

“The drill will be set so that it will re-circulate water as our purpose is to keep our water usage to a minimum. Any water that does need to be disposed, will first go through a tank whose purpose is to enable the suspended solids to settle to the bottom of the tank before being spilled.”

The Inspector however, noted in a recent inspection of July 15, 2007 and formally reported on December 12, 2007 the following:

“This in fact was not the process noted during the period of inspection and it is of concern that the licensee is not submitting an application for modification to the Nunavut Water Board to address these changes in operations. Finally, it should be noted that all drill cuttings and wastes associated with the drilling process are not to be “spilled” but in fact secured in a low lying area or constructed sump such that they will not flow or be released back into the environment or a water source.”

As a part of this Amendment No.3, the NWB is requesting a progress summary of the procedures that have been implemented since the Inspection was carried out on July 15, 2007 to address the discrepancy between the proposed procedures for conserving water and the practice taking place at the time of the Inspection. The drilling procedures summary report is to be submitted within sixty (60) days of issuance of this amendment, or upon application for renewal of Licence 2BE-RBP0608, whichever occurs first.

Attached is the copy of comments from GN-DOE, INAC and EC with respect to your amendment application. The Board recommends that these comments be considered by Roche Bay plc and Advanced Exploration Inc. in carrying out activities under this Licence.

Sincerely,

A handwritten signature in dark ink, appearing to read 'T. Kabloona', with a long horizontal flourish extending to the right.

Thomas Kabloona
Acting Chief Executive Officer

Enclosure: Licence No. **2BE-RBP0608 - Amendment No.3**
Comments : GN-DOE, INAC and Env. Can.
NIRB

Cc: Kivalliq Distribution List

LICENCE AMENDMENT No. 3

Licensee:	Roche Bay plc and Advanced Exploration Inc.
Licence No:	2BE-RBP0608 Type "B"
Licence Issued:	May 23, 2006
Effective Date:	July 7, 2008

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*, the Nunavut Water Board hereby grants the following license amendment.

The Licence issued May 23, 2006 with a licence expiry date of August 31, 2008 shall be amended to include the following terms and conditions, with respect to use of water and deposit of waste during camp and drilling operations, to allow Roche Bay plc and Advanced Exploration Inc., to carry out activities in support of exploration drilling at the Roche Bay Project located within the Kivalliq Region, Nunavut contained within the general Latitudes 68°15'-68°30'N, Longitudes 82°00'-84°00'W.

The licence shall be amended as follows:

Quantity of Water Not to Exceed **FIVE HUNDRED TEN (510) CUBIC METRES PER DAY**

PART C: CONDITIONS APPLYING TO WATER USE

Amend Item 1

The Licensee shall obtain water for domestic camp use from the lake within close proximity to the camp, up to a maximum of ten (10) cubic metres per day. Drill water shall be obtained from local water source(s), proximal to the drilling targets as outlined in the application up to a maximum of five hundred (500) cubic meters per day. Total water use, for all purposes, shall not exceed five hundred and ten (510) cubic metres per day.

All remaining terms and conditions of the License 2BE-RBP0608 Type 'B' dated May 23, 2006 still apply.

This License Amendment issued and recorded at Gjoa Haven, NU on July 7, 2008.

Approved by,



Thomas Kabloona
Acting Chief Executive Officer