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NUNAVUT WATER BOARD
NUNAVUT IMALIRIYIN KATIMAYINGI

August 28, 2000

By Telecopier (780) 424-7378

Mr. Bill Danyluk
Mine Manger
Echo Bay Mines Ltd.
1210 Manulife Place, 10180 – 101 Street
Edmonton, AB T5J 3S4

Subject: Amendments to Licences NWB1LUP0008 and NWB1ULU0008

Dear Mr. Danyluk:

Following your letter of July 27, 2000 requesting clarifications regarding security deposits required under the Lupin and Ulu licences and Philippe di Pizzo's subsequent August 1, 2000 notice to all parties requesting comments on issues raised in your letter, the Nunavut Water Board received one submission dated August 4, 2000 from Mr. Lee F. Webber, legal counsel with the Department of Justice representing the Department of Indian and Northern Affairs. The Board has reviewed your letter and Mr. Webber's submission.

In his letter, Mr. Webber essentially told the Board that it did not have the authority at this time to entertain amendments to the Ulu and Lupin licences because the Minister of DIAND did not approve the licences yet, and that until such time, these licences were merely "proposed" licences.

First, the Board disagrees, in the strongest possible terms, with DIAND's suggestion that both licences issued by the Board are "proposed" licences. Both the Lupin and Ulu licences have been issued by the Board under the authority of S. 13.7.1 of the Nunavut Land Claims Agreement. Board decisions are final and valid under the Nunavut Land Claims Agreement (NLCA) unless quashed by a court of competent authority. Mr. Webber's challenge is to the Courts, not the Board.

Second, regarding the schedule of payment of the security and the inconsistency between Part B, Item 2 and Schedule II, Part III of both licences, the Board notes that its intent was to leave these matters to the discretion of the Minister of DIAND. The Board furthermore concurs with Mr. Webber that the terms and conditions of the licences have precedence over any schedule appended to the licences, and reckons that there is no need to amend Schedule II, Part III. The Board concludes that the requirements of Schedule II, Part III are not in effect, and that the

Board has formally left to the Minister of DIAND the authority, under both licences, to set the form and schedule of payment of the security.

Finally, on the issue of who should receive the security instrument, the Board agrees with Mr. Webber that pursuant to a memorandum of understanding between the Board and DIAND, the security instrument should be forwarded to the Board. However, in light of the fact that all security matters *except* the quantum of the security are left to the discretion of the Minister of DIAND in both licences, the Board considers in this case that it would be more effective and timely for all parties concerned to have EBM forward the security directly to DIAND without having the Board act as an intermediary in the process.

I trust the above will clarify the matters. Any communication with respect to this decision shall be made in writing to the attention of Philippe di Pizzo, NWB Executive Director, and copied to all parties concerned.

Sincerely,

Original Signed By:

Thomas Kudloo
Chairperson

c.c. Distribution List
 Hon. Robert Nault, Minister, DIAND

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