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NUNAVUT WATER BOARD
NUNAVUT IMALIRIYIN KATIMAYINGI
OFFICE DES EAUX DU NUNAVUT

File No.: Licence No. 2BM-ULU1520

March 30, 2016

Tannis Bolt
Acting Senior Lands Officer, Project Officer
Department of Lands and Environment
Kitikmeot Inuit Association
P.O Box 360 Kugluktuk Nu, X0B 0E0

Email: projectofficer@kitia.ca

Subject: Licence No. 2BM-ULU1520 – Kitikmeot Inuit Association’s Submission of an Independent Mine Reclamation Cost Estimate for the Ulu Gold Project

Dear Ms. Bolt:

The Nunavut Water Board (NWB or Board) acknowledges receipt, on March 21, 2016, of the Kitikmeot Inuit Association’s (KIA) mine reclamation cost estimate (the estimate) for Water Licence No. 2BM-ULU1520 (Existing Licence), issued to Bonito Capital Corporation for the Ulu Gold Project, a mining undertaking located 150 kilometres north of the Lupin Mine site, within the Kitikmeot Region, Nunavut.

The email that accompanied the KIA’s submission stated that while the estimate was provided for the NWB’s review and records, the KIA is requesting an outline of the potential process for initiating a reassessment of the reclamation security currently posted for the project under Part B, Item 2 of the Existing Licence, which states:

2. The Licensee shall furnish and maintain security with the Minister, in the amount of \$1,685,542, in the form that is satisfactory to the Minister.

The Board has considered the KIA’s request also in the context of the other reclamation security provisions included under Part B of Water Licence No. 2BM-ULU1520. In particular the provisions of Part B, Items 3, 4, 6 and 7 that state as follows:

3. The security referred to in Part B, Item 2 shall be maintained until such time as the Minister is satisfied that the Licensee has complied with all provisions of the approved Final Abandonment and Restoration Plan. This clause shall survive the expiry

of this Licence or renewals thereof.

4. The Licensee may submit to the Board for approval, a request for a reduction to the amount of security. The submission shall include supporting evidence to justify the request.

6. The Licensee shall review the financial security posted for the project, as required by changes in operations, components and/or technology, and submit annually to the Board for review, an updated estimate of the Ulu Gold Project restoration liability using the current version of RECLAIM, its equivalent or other similar method approved by the Board, in accordance with principles of INAC's "Mine Site Reclamation Policy for Nunavut" (2002).

7. Licensee shall furnish and maintain such further or other amounts of security as may be required by the Board, based upon annual estimates of current mine reclamation liability provided under Part B, Item 6.

Based on these provisions, the Licensee (Bonito Capital Corporation (BCC)), the Minister of Indigenous and Northern Affairs Canada (INAC), and the Board, under very specific conditions or circumstances, can change the amount of reclamation security that must be provided under the Licence.

In addition, the NWB also has the discretion under s. 43(1)(b) of the *Nunavut Waters and Nunavut Surface Rights Tribunal Act*, S.C. 2002, c. 10 to amend any term or condition of a Licence (including security provisions) when the Board considers the amendment to be in the "public interest":

43. (1) Subject to this Act, the Board may
(b) amend, for a specified term or otherwise, any condition of a licence
(i) on application by the licensee,
... or
(iii) where the Board considers the amendment to be in the public interest;

On the basis of the terms and conditions in the Existing Licence with respect to security and the Board's general jurisdiction to amend any term or condition in a water licence, the following options may be available to KIA to request the Licensee be required to post an increase to the security held by INAC under the Existing Licence:

- Engage and work in concert with the Licensee, Bonito Capital Corporation (BCC), to ensure that the updated estimate for the Ulu Gold Project restoration liability filed by the Licensee under Part B, Item 6 of the Existing Licence reflects KIA's concerns that the reclamation security currently posted under the Existing Licence does not adequately reflect the full amount of the current mine reclamation liability. On the basis of the updated estimate, the Licensee, the KIA or INAC could request that the Board exercise the NWB's jurisdiction under Part B, Item 7 to require the Licensee to furnish further amounts of security to reflect any increases to reclamation security that result from the updated annual estimate of current mine reclamation liability;

- Work with the Licensee, BCC, to amend the amount of security required to be held under Part B, Item 2 as either a stand-alone amendment to the Existing Licence, or in combination with any other amendment/renewals to the Existing Licence;
- Make a request that the Board consider a Board-initiated amendment to the security required to be held under Part B, Item 2 of the Existing Licence on the basis that the amendment is required in the public interest. Such a request would need to be supported by evidence that would demonstrate to the Board that the public interest requires an amendment to the security required to be held under the Existing Licence.

I trust the preceding provides the KIA with the information requested in the KIA's recent submission, but please direct any further questions to the NWB's Licensing Department at (867) 360-6338 or by email to licensing@nwb-oen.ca.

Regards,

Robin Ikkutisluk, NWB
Licence Administrator

Cc: Kitikmeot Distribution List