

LUPIN MINES INCORPORATED

July 3, 2014

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

Via Email: Phyllis.beaulieu@nwb-oen.ca

Re: Request for Emergency Amendment to discharge contact water at the Lupin Mine.

Dear Ms Beaulieu,

As you aware, the Type A water licence (2AM-LUP0914) for the Lupin Mine expired on March 31, 2014. Lupin Mines Incorporated (LMI) submitted a complete renewal application package to the Nunavut Water Board (NWB) on February 28, 2014 and following an internal review by the NWB the application was distributed to parties on May 16, 2014. Initial comments on the application were provided by Aboriginal Affairs and Northern Development Canada (AANDC) and Environment Canada on June 9, 2014, and LMI provided written acknowledgement of the comments to the NWB on July 2, 2014. Given that the renewal process remains on-going, LMI understands from previous discussions with the NWB and AANDC that the only provision that the NWB has to expedite a licence amendment to permit activities under the licence is on the basis of emergency circumstances pursuant to Subsections 55(5) and paragraph 52(2)(c) of the *Nunavut Waters Nunavut Surface Rights Tribunal Act* (NWNSRTA).

Therefore, at this time, LMI is compelled to request an emergency amendment to discharge contact water that has accumulated within the Bulk Fuel Storage Facility and Sewage Pond, which poses a risk to the integrity of the facilities and environment if not released in a controlled manner in the next few weeks. The particulars of LMI's request for emergency amendment pursuant to sections 55(5) and paragraph 52(2)(c) of the NWNSRTA are provided here below.

On June 17, 2014 LMI mobilized a crew of two persons including Arlene Laudrum (SRK) and George Friesen (LMI) to site to inspect the facilities and update the scope of care and maintenance work required for the summer period of 2014. Upon inspection of the Bulk Fuel Storage Facilities, which currently contain 2.4 million litres of fuel, it was observed that large volumes of water have accumulated within the containment areas from the spring melt and need to be released after sampling and testwork results are received. The containment areas are designed to hold particular volumes of fuel in compliance with the fuel storage regulations and any water within them reduces those volumes. Water sitting inside containment areas for extended periods can also compromise the integrity of the berms and tanks. Berms experience constant washing by windy conditions and tanks experience excessive corrosion. In addition, the crew observed that the Sewage Facilities have also reached capacity from the

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spring melt, particularly the lower sewage pond, and water must be released to maintain adequate freeboard and overall integrity of the retention facilities. Photos are attached for your reference.

The crew took water samples of the contact water within the facilities, and the samples were expedited to the lab for analysis and comparison to the discharge criteria noted in Part E, Items 8 and 9 of the water licence. No visible sheen was observed, and sample results are expected any day. Upon receipt, the results will be provided to the NWB and AANDC Inspector.

LMI has considered alternative means of dealing with the accumulated water, such as transferring to other containments, however the only way to maintain adequate capacity within site's contact water containment areas is to release water. When discharging the water, LMI will ensure that it is pumped to a land-based location over 100m from waterbodies in such a way to avoid erosion at the discharge point in accordance with standard operational practices for the site. This controlled discharge will ensure that there is no environmental consequence with the activity or future operation of the facility.

Given the critical need to discharge water from the Bulk Fuel Storage Facility and Sewage Facilities, LMI is requesting an emergency amendment to the term of the water licence through to October 1, 2014. This timeframe will allow LMI to manage the existing water and discharge additional water that will accumulate over the open water period so that the site is capable of receiving runoff in the spring of 2015. Based on site observations, LMI must commence the discharge of water by early to mid July at the latest.

LMI is committed to the ongoing discussions with the NWB and parties on the renewal of the water licence for the Lupin Mine. However, this emergency amendment is critical in the short term to avoid environmental risks and damage to existing facilities.

Should you require any additional information or clarification please contact our office (klewis@elginmining.com).

Sincerely,



Patrick Downey
President

Attachments Lab results to be forwarded upon receipt.

c.c David Hohnstein, NWB
 Sean Joseph, NWB
 Eva Paul, AANDC Inspector
 Stephen Lines, TLA