



Field Operations Division
Nunavut Regional Office
PO Box 2200
Iqaluit, NU X0A 0H0

May 21, 2014

Patrick Downey
Lupin Mines Inc.
201-750 West Pender St.
Vancouver, BC V6C 2T7

Re: Activities at and related to Lupin Mine Site (Water Licence 2AM-LUP0914)

Hello Mr. Downey,

I would like to keep you informed about discussions that have occurred with respect to permitting of Lupin Mines Inc. (LMI)'s Lupin Mine. As you know, AANDC has both a regulatory role and a compliance role in this situation, and we work very closely with the Nunavut Water Board (NWB) and undertake compliance on their behalf. As has become apparent in our conversations with you and within the department, this has become a complex issue with respect to the water licence and the lands authorizations.

The Type A Water Licence (2AM-LUP0914) expired on March 31, 2014. The obligations under the water licence subsist, but the right to use water or deposit waste do not. You have indicated your intent to continue to meet the requirements of the licence as is required under s. 42 of the *Nunavut Waters and Nunavut Surface Rights Tribunal Act*. As was communicated to you in my e-mail of April 17, 2014 this must occur with no use of water or discharge of waste without the approval of the NWB. At the time of that writing, I was of the impression that emergency discharge might be possible, however, that has been clarified by both legal and the Board and is not possible without authorization.

Also in the April 17th e-mail I discussed the need for a Land Use Permit. During the May 2nd conversation with Tracey McCaie, Manager of Land Administration, and your consultant Stephen Lines it was clarified that a Land Use Permit is required for activities at the site, to be compliant with the *Territorial Land Use Regulations*. This policy has been in effect since October of 2012 and has applied to all Lease renewals and new projects in the territory since that time. However, in our several communications with your office we are met with refusal to apply for a land use permit.

In our phone conference on May 6th, you outlined the activities that are intended to be undertaken this season at Lupin. Those intentions were reiterated in the May 13th e-mail from Karyn Lewis to Ms. McCaie. At that time Ms. Lewis indicated that no camp would be established and no trigger for a Land



Use Permit would be crossed. However, this interpretation is not strictly correct with respect to the anticipated man-days (over 100).

In an effort to find a solution that meets your need to conduct work on site and the needs of the two regulators, AANDC and the NWB, I met with these two parties. Present at the meeting were Damien Côté, Executive Director, NWB; Natalie Plato, Director of Lands and Contaminated Sites; Tracey McCaie, Manager of Land Administration; Murray Ball, Manager of Water Resources, and myself as A/Manager of Field Operations (Compliance and Enforcement). All are in agreement that LMI must attend site to conduct basic monitoring and risk management until such time as the Type A licence is renewed and regular operations can be resumed.

Mr. Côté indicated that the Board is unlikely to entertain an application for an emergency extension of the Type A licence, based on feedback from the Minister of AANDC. The Board has examined the issue and determined that an Authorization without a Licence is the only option for LMI at this time. This will permit LMI to attend site, conduct monitoring and general site maintenance, and determine LMI's next steps. This was communicated to you from David Hohnstein of the NWB on May 9 2014. As per Mr. Hohnstein's e-mail, this will restrict activities to usage of <50 m³ per day. This also tightly restricts the ability to discharge; only domestic waste may be deposited (to a sump). He also specified that a stand-alone camp would be required; use of the Lupin facility would not be permitted.

The establishment of a standalone camp, then, will trigger the requirement for a land use permit, other activities notwithstanding.

It was jointly determined then, by AANDC and the Executive Director of the NWB that the only possible path forward for LMI with respect to the Lupin Mine Site, in order to become compliant with all relevant legislation, is as follows:

1. Applications are to be submitted to AANDC for an appropriate Land Use Permit and to NWB for an Authorization without a Licence.
2. Upon receipt of the proper authorizations; a camp is to be established off the footprint of Lupin Mine Site.
3. No discharge can occur from any site facilities without proper authorization. As an emergency extension is not likely to be granted, ALTERNATIVE SOLUTIONS must be sought for water management. This may include the use of other forms of containment to hold the water until such time as the Type A licence is in place.

Freshet is fast approaching. The timelines will be very tight to process these applications, so I strongly recommend that you do not delay.



Regards,

Eva Paul

A/Manager, Field Operations
Aboriginal Affairs and Northern Development Canada
Nunavut Regional Office
Building 969, PO Box 2200
Iqaluit, NU X0A 0H0

Phone: 867-975-4548

Cell: 867-222-6490

Fax. : 867-979-6445

Eva.Paul@aandc-aadnc.gc.ca

CC: Phyllis Beaulieu, Manager of Licensing – Nunavut Water Board
Damien Côté, Executive Director – Nunavut Water Board
Natalie Plato, Director of Lands and Contaminated Sites – AANDC
Tracey McCaie, Manager of Land Administration – AANDC
Murray Ball, Manager of Water Resources – AANDC
Baba Pedersen, Resource Management Officer – AANDC