

20 January 2009

Phyllis Beaulieu  
Manager of Licensing  
Nunavut Water Board  
P.O. Box 119  
GJOA HAVEN, NU X0B 1J0

Dear Phyllis

**RE: 2AM-LUP Type A Water Licence Renewal Public Written Hearing Lupin Mines Inc**



**Introduction**

Lupin Mines Inc., a wholly owned subsidiary of OZ Minerals Canada Resources Inc. (OZ Minerals) has applied for the renewal of a Type A Water License to the Nunavut Water Board for the Lupin Mine site. As part of the review of this application, the Water Board has distributed OZ Minerals application documents to a number of involved parties to the review process. Final Comments have been received by OZ Minerals from the following parties:

- Government of Nunavut – Department of Environment;
- Kitikmeot Inuit Association;
- Indian and Northern Affairs Canada;
- Fisheries and Oceans Canada; and
- Environment Canada.

The following letter provides our final response to these comments as part of the license review process.

**Environment Canada**

***Intervener Comment:***

***However using sand and gravel from already stable tailings areas could potentially disrupt establishing vegetation in these areas.***

Heavy equipment will be utilized to cover the exposed tailings regardless of the fact if the sand and gravel was imported. Any established vegetation is going to be disrupted regardless of using existing or imported material.

***Intervener Comment:***

***Environment Canada supports the proposal made by LMI to provide the Nunavut Water Board with updated copies of the Care and Maintenance Plan; Storm Water Management Plan; Spill Contingency Plan; and, Interim Abandonment and Restoration Plan by March 31 2009. EC is available to consult with the proponent during the development of these plans and looks forward to reviewing these plans upon completion. EC will pay particular attention in the review of these plans to disposal of unsold accommodation facilities, disposal of contaminated soils, and updated abandonment and restoration plans for culverts, breakwater and causeway.***

OZ Minerals will incorporate the comments from Environment Canada and amend the current abandonment and restoration plan to dispose of unsold accommodation facilities either in the underground or an approved landfill facility. OZ Minerals will consult with the water board during the finalization of the interim abandonment and restoration on all detailed drawings, location, removal schedules and techniques prior

to commencement of any work in regards to all culverts, breakwater and causeway as well as for alternative methods of hydrocarbon impacted soils. OZ Minerals would like to clarify that plans for the removal and disposal of existing contaminated soils, culverts, breakwater and causeway will be addressed during the finalization of the interim abandonment and restoration plan and not by the March 31 of 2009 update.

#### **Nunavut Department of Environment**

##### ***Intervener Comment:***

***However, justification of the interim measure is not provided and it is questionable as to whether this measure would be appropriate. Given the esker cover with a required depth is designed to minimize oxidation of the tailings, partial removal of the cover may affect performance of the cover. This may accelerate oxidation of the tailings, which would potentially lead to acid drainage and metal leaching, and consequently can lead to additional treatment of the acid and heavy metals in treatment areas. Zinifex should provide justification for this interim proposal and be recommended to explore options.***

OZ Minerals intends to focus its efforts in Nunavut on base metals exploration at or near our Izok Lake and High Lake deposits as well as to fully evaluate the potential of the Lupin site to serve as a base of operations and logistics as well as a potential central mineral processing facility for OZ Minerals and other properties in the area. We also intend to explore the potential for joint ventures with other parties in evaluating the gold potential of the Lupin and other near-by gold deposits further with the ultimate objective of the recommissioning of the gold plant at Lupin. The tailings containment area would be included in the evaluation of the site as part of the mineral processing facility, as the potential exists to deposit tailings within the current containment area. Oxidation is already occurring; this is evident of the pH of Pond 2. The water quality that we are currently experiencing in pond 2 is similar to that of the water quality during operation; altering small portion of the tailings will have no effect on the additional treatment of the water quality in Pond 2.

#### **Fisheries and Oceans Canada**

##### ***Intervener Comment:***

***DFO recommends that the restoration plan be updated to reflect that no work will be conducted on Dam 4.***

OZ Minerals has made a mistake during the first submission. The minimum slope on Dam 4 is 3:1 only on the upstream side of the dam. OZ Minerals cannot confirm the downstream slope the Dam 4 or the distance of the toe from Ferguson or Long Lake. All concerns relating to the placement of the rip rap along the downstream side of Dam 4 will be addressed with the Nunavut Water Board during the finalization of the interim abandonment and restoration plan. No work along the downstream side of Dam 4 will be carried out until detailed planning, drawings, and methods are discussed with the DFO and the NWB. OZ Minerals will determine the slope on the downstream side of Dam 4 during occupation of the site in the 2009 field season.

#### **Kitikmeot Inuit Association**

##### ***Intervener Comment:***

***KIA is satisfied with the plan to cover the exposed dry tailings with sand as long as it can be demonstrated that the area of tailings areas covered by water, or the water itself shows no potential harm to wildlife.***

OZ Minerals employees will occupy the site during the open water season, mitigation measures concerning wild life will be addressed in the care and maintenance plan.

### **Indian and Northern Affairs Canada**

***Intervener Comment:***

***INAC would like to see all plans approved prior to the issuance of a new license. Therefore (i.e. 30 days) to the current expiry the Board should require the proponent to submit the appropriate Care and Maintenance Plan, Storm Water Management Plan, updated Spill Contingency Plan and updated Interim Abandonment and Restoration Plan.***

OZ Minerals will require at least up until March 31 2009 to provide such plans to effectively incorporate all of the interveners' concerns.

***Intervener Comment:***

***In addition it is our opinion that the exposed tailings area should have a minimum of 1m cover without disturbing the previously covered tailings area. INAC would not be opposed to an Interim cover amount less than 1m if a schedule of activities for final cover was provided in the updated A&R Plan.***

OZ Minerals intends to focus its efforts in Nunavut on base metals exploration at or near our Izok Lake and High Lake deposits as well as to fully evaluate the potential of the Lupin site to serve as a base of operations and logistics as well as a potential central mineral processing facility for OZ Minerals and other properties in the area. We also intend to explore the potential for joint ventures with other parties in evaluating the gold potential of the Lupin and other near-by gold deposits further with the ultimate objective of the recommissioning of the gold plant at Lupin. The tailings containment area would be included in the evaluation of the site as part of the mineral processing facility, as the potential exists to deposit tailings within the current containment area. Oxidation is already occurring; this is evident of the pH of Pond 2. The water quality that we are currently experiencing in pond 2 is similar to that of the water quality during operation; altering small portion of the tailings will have no effect on the quality or additional treatment of the water quality in Pond 2.

***Intervener Comment:***

***INAC would not be opposed to an Interim cover amount less than 1m if a schedule of activities for final cover was provided in the updated A&R Plan.***

A schedule of activities for final cover will not be provided in the interim abandonment and restoration plan. At this time the evaluation of the site as to the role it will play in the Canadian Corporate strategic development plan is ongoing. When the Water License comes up for renewal again in 5 years time, we would provide a definitive schedule for implementation of the final A and R plan if it is our intention to proceed to full decommissioning, state our intention to resume operations at the site if that was the case or request an extension under Care and Maintenance with a revised time-table for a decision on the resumption of operations vs. full decommissioning.

### **Closure**

We trust this submission provides the information required to progress the license review process and look forward to working with the Nunavut Water Board and the involved parties towards the renewal of the water license for the Lupin mine site. If there are any questions or concerns regarding the above, please do not hesitate to contact me.

Regards

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