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RE: Water License Inspection of Lupin Mine July 1st, 2007

The Water Resources Officer (WRO) appreciates the assistance and cooperation provided by Mr. Tom Collett, camp manger for the High Lake Project who accompanied the Inspector during the inspections of Lupin Mine, Ulu Mine, the High Lake Exploration Project and Izoc Camp. This tour of inspections taking up the following dates July 1st through to the 2nd 2007.

The following report is based on observations made at the time of the inspection at Lupin mine, results of samples collected during the inspection and items outlined during a review of the terms and conditions of the license with the Mr.Collett. Immediately following the inspection an Industrial Water Use Inspection Report outlining any concerns was signed by both Mr. Collett and the Inspector.

Part A: Scope and Conditions

No issues were found with respect to the location of the camp as they relate to the information contained within the current license. It should be noted the license refers to the Northwest Territories Waters Act and not the Nunavut Waters and Nunavut Surface Rights Tribunals Act.

The Inspector found the site, at the time of the inspection, as described in the reports found on the Nunavut Water Board FTP site. Specifically the camp appears to be in a "Care and Maintenance" mode as noted in the monthly report submitted by Andrew Mitchell of Zinifex Canada on August 10th, 2007. It was noted however that because the Mine site has not been occupied on an on-going basis that the required on-going maintenance of a site of this size was not being completed. These are detailed below.

The license, as issued remains a Class A license classed as mining and milling as indicated on the license form.

Part B: General Conditions

The issue of water use fees and security were not included within the context of this inspection.

A review of the Nunavut Water Board FTP – Public Registry was conducted during the writing of this report. A 2006 Annual report filed by Kinross for the 2006 year was found to be complete and included supplementary documentation on water usage, testing and analysis for both camp and milling (tailings).



The proponent is reminded that an annual report is required to be filed by March 31st 2008 for the year ending December 31st 2007. The annual report must include but should not be limited to those items listed in Section 5 a through k of this Part.

Additionally as required under Part B of the license, the licensee has a responsibility to maintain the Surveillance network program sampling included within the terms and conditions of the license. While not discussed as an integral part of the inspection, this information will be required in the annual report.

The licensee is reminded that it is the responsibility of the licensee to ensure that any documentation submitted by the licensee to the Nunavut Water Board is acknowledged by the Manager of Licensing.

Part C: Conditions Applying to Water Use

At the time of the inspection the licensee was allocated the use of 1,700,00 Cubic Meters annually of water from Contwoyto Lake for domestic and milling purposes. It was stated that there had been no usage of water for 2007 other than for a short period during the winter Ice Road refuelling. These records were not available at the time of inspection and must be included in the 2007 annual report.

An inspection of the pumping facilities at the intake was conducted and found to be in good order.

Part D: Conditions Applying to Waste Disposal

As the Lupin mine site is under a "Care and Maintenance" status as outlined by Mr. Mitchell in his letter to the Board on August 10th, 2007 it is the understanding of the inspector that there was to be no scheduled discharge from the tailings area this year. The Licensee is reminded that any discharge would have required a five day notification to the Inspector as well as meet the requirements of the Surveillance Network sampling regime as listed in Schedule 1 of the license.

It was noted during the inspection that there was an undetermined quantity standing water within the containment and tailings areas of the mine site. The Inspector was not able to determine, in conversation with Mr. Collett whether this was a normal or expected quantity of water within the tailing area or if this water was to be decanted. The licensee is asked to clarify for the inspector in the annual report the licensee's plans for addressing this in the 2007 annual report.

Additionally, areas within the tailings ponds exhibited signs of erosion. These were documented and pointed out to Mr. Collett. It should be noted that under this Part, Section (f) requires weekly inspections of the dam(s) and tailings areas. This practice may not be being followed if the mine site is under "Care and Maintenance" and if so then an amendment request must be submitted if licensee is not in a position to meet this condition.

It should be noted that any areas of erosion should be addressed before the submission of any amendment request and that proof of compliance is provided to the Inspector and the Nunavut Water Board prior to the any amendment being accepted by the Board for consideration.

Section 8 of this part outlines the effluent quality requirements at the surveillance network program monitoring station 925-14. Samples collected during the inspection returned results for some parameters that exceed the values set out in the license. Additionally, some results returned values exceeding the NWT Limits for effluent Parameters for specific Discharges. All are listed below;

Parameter	Max. Ave. Concentration	NWT Limits Effluent Para .	Sample result
Total Arsenic	0.05 mg/L	50 µg/L	58.7 µg/L * **
Total Copper	0.20 mg/L		5.3 µg/L
Total Lead	0.05 mg/L		1.1 µg/L
Total Nickel	0.30 mg/L	300 µg/L	300 µg/L * **
Total Zinc	0.50 mg/L		221 µg/L



Total Iron	N/A	300 µg/L	30500 µg/L **
Total Selenium	N/A	50 µg/L	202 µg/L **

* Exceeded License Limit

** Exceeded Effluent Parameters for specific Discharges

The licensee must develop an action and monitoring plan to be included in the annual report to address these findings and propose measures to mitigate these results. This should include but not be limited to a sampling and monitoring program at the site as well as the development of a restoration plan.

Part E: Conditions Applying to Modifications

No new modifications were brought to the attention of the inspector during the period of inspection. Again it was reinforced by Mr. Collett that the Mine site was unoccupied and that no activities other than the Winter Road refuelling had taken place or were scheduled to take place during this season.

Part F: Conditions Applying To Construction

No new construction projects were brought to the attention of the inspector during the period of inspection. Again it was reinforced by Mr. Collett that the Mine site was unoccupied and that no activities other than the Winter Road refuelling had taken place or were scheduled to take place during this season.

Part G: Conditions Applying to Studies

The required Tailings Containment Area Management Report in this section of the license can not be found on the Nunavut Water Board FTP site. The Inspector is unable to determine if this part of the license has been complied with.

The Licensee is reminded that section 3 of this Part requires that an annual review and up-date of the above is to be submitted with the annual report.

Part H: Conditions Applying To Contingency Planning

A review of the Water Board FTP site found a request dated June 19th from Andrew Mitchell of Zinifex Canada Inc (under the Wolfden letter head) requesting a period of extension on the requirement to submit to the Nunavut Water Board both a new Spill Contingency Plan and Abandonment and Restoration Plan.

No follow up correspondence to this document can be located but the request for extension noted a date of August 13, 2007 for submission of the required Spill Contingency plan.

It is unclear if either one of the two documents have been submitted for approval and review by either Wolfden or Zinifex Canada Inc. This is a compliance issue with the terms of the issued Water License and must be addressed. If these reports have not been submitted the Licensee is requested to provide information to the inspector and the Nunavut Water Board within 30 days of receipt of this inspection report on when these reports will be available for review. If these plans have been submitted the Licensee must contact the Nunavut Water Board to determine why they are not posted for review.

Part I: Conditions Applying To Abandonment And Restoration

As noted above the required plan is not available on the Nunavut Water Board web site for review nor has a request for review been sent out by the Nunavut Water Board.



The licensee is reminded that while a review was pending for Kennecott, the Nunavut Water Board in it's letter of assignment to Wolfden Resources did require the submission of a revised Abandonment and Restoration Plan and thus, as stated above, is a compliance issue for the Inspector.

Schedules I, II, III

While for the purposes of the inspection these schedules were not reviewed in any great detail it should be noted however that the licensee is responsible for ensuring the terms contained within are met.

Non-Compliance:

During the inspection a number of items were noted and discussed with Mr. Tom Collett. These issues required corrective action to be undertaken prior to the date of the next inspection and submission of a record showing these activities had been completed was requested. Specifically these were;

- Water and erosion issues within the tailings containment areas.
- Flooding and water management during freshet within the tailings containment areas.
- Cover at waste metals area inadequate
- Water build-up within bulk fuel storage area
- Marshalling of hazardous materials within the bulk fuel storage area, leakage into water
- Fuel storage (barrels) without secondary containment
- Fuel storage at site (fuel not the licensee's) without secondary containment
- Spill kits and signage.

During the period of the inspection water samples were collected from both the potable source and sewage effluent discharge area.

x

Andrew Keim
Inspector's Name

Original signed and mailed this date
Inspector's Signature

Attached under separate cover;
Photos taken during Inspection of June 27th, 2007

Cc:
Peter Kusugak – Manager Field Operations Section- Indian and Northern Affairs Canada
Phyllis Beaulieu – Manager licensing – Nunavut Water Board