



Patrick Downey,
President, CEO and Director
Lupin Mines Incorporated
#1104 –750 West Pender Street
Vancouver, BC V6C 2T8

NWB File: 2AM-LUP0914
CIDMS#: 505210

February 1, 2012

RE: Use of water for drilling related activities is in contravention of the current Type A (mining and milling) water licence (2AM-LUP0914)

Mr. Downey,

On the 25th of January 2012, An Inspector with the Field Operations Section of Aboriginal Affairs and Northern Development Canada (AANDC) became aware of two violations of the current Water License (2AM-LUP0914) for the Lupin Mine.

Specifically, in November of 2011, and again in December of 2011, water was used in support of drilling and or drilling related activities at the Lupin Mine site while the site was in a Care and Maintenance Phase (as amended to the Licence on May 25th, 2009) in contravention of the issued Licence.

The Licensee submitted to the Nunavut Water Board (NWB) in January of 2012 monitoring reports for both November and December of 2011 that detailed the use of 1m³ of water in November of 2011 and 210m³ of water in December, 2011 used for this purpose.

In reviewing the information provided by the Licensee, The Inspectors noted that while an application for exploratory drilling activities had been applied for, an approved authorization (license) had not been issued by the Nunavut Water Board.

As result of these violations, and earlier violations of the water license with respect to unauthorized discharges of water, The Inspectors is concerned with the overall level of compliance with respect to the current authorizations.

As such, AANDC will require that the licensee provide the following information to the Inspector and the NWB prior to undertaking any further drilling or related activities at the site:



- The Licensee shall submit the GPS co-ordinates (in degrees, minutes and seconds of latitude and longitude) of all locations where wastes associated with drilling operations are deposited;
- The Licensee shall submit GPS co-ordinates (in degrees, minutes and seconds of latitude and longitude) of all locations where holes were drilled in relation to this activity;
- Licensee shall submit the GPS co-ordinates (in degrees, minutes and seconds of latitude and longitude) of all locations where sources of water associated with drilling operations were utilized; and
- A complete and detailed **Plan for Compliance** that addresses how the licensee will ensure that outstanding issues with the current authorization (2AM-LUP0914) will be brought into compliance by the Licensee. This will include those issues identified by the Inspection carried out in July of 2011 (attached). This plan is to be submitted to the Nunavut Water Board and the Inspector for review and approval prior to undertaking any further activities at the site that are not related to the Care and Maintenance function.

If you have any questions, please contact me at Andrew.Keim@aandc-aadnc.gc.ca or 867-975-4289.

Inspector

Encl: July 2011 AANDC Inspection Report

Cc: Robin Aitken: Regional Director General, AANDC
Phyllis Beaulieu, Manager of Licensing, NWB