

Lupin Mines Incorporated
(a subsidiary of Elgin Mining Inc.)

6 February 2012

Mr. Andrew Keim
Water Resources Officer
Aboriginal Affairs and Northern Development Canada
Nunavut Regional Office
P.O. Box 100
Iqaluit, Nunavut X0A 0H0

Dear Mr. Keim

**RE: Feb 1, 2012 Letter from AANDC to Lupin Mines Incorporated (LMI)
Lupin Mine, Nunavut, License Number 2AM-LUP0914**

The purpose of this letter is to provide you with a timely response to your letter received on February 3, 2012, an explanation of our activities to date, and to outline our plan for compliance with water licence 2AM-LUP0914.

Background

Through a series of corporate transactions, Elgin Mining Inc. (Elgin) acquired Lupin Mines Incorporated on July 8, 2011. Although the legal transaction took place on that date, it took several weeks for Elgin to actually take control of the management of the asset. We were advised by MMG (the previous owners) in early July 2011 that a site inspection was planned for July 9, 2011. Unfortunately, as Elgin did not know exactly when the acquisition was going to take place and had no insurance or legal right to participate, we were not involved in the inspection or the decisions resulting therefrom.

Note that the following authorizations are in place for the Lupin Mine site:

- Land Use Permit N2011C0026 (issued December 12, 2011),
- Water Licence 2AM-LUP0914 (issued February 25, 2009), and
- Water Licence 2BE-LEP1217 (issued January 25, 2012).

Interpretation of Water Licence # 2AM-LUP0914

Prior to commencing surface drilling activities at the Lupin mine site, LMI conducted a detailed review of water licence # 2AM-LUP0914 to determine if surface drilling activities related to exploration would be permitted. Based on this review and written consultation with Nunavut Water Board (NWB) staff, it was determined that drilling could occur in compliance with the licence based on the following: surface drilling is considered a "mining, milling and associated activity at the Lupin Mine" (Part A 1a); "water for mining, milling and associated uses" would be obtained from Contwoyto Lake (Part D1).

Accordingly, please refer to Attachment 1, a table outlining coordinates for all drillhole collar locations, water withdrawal locations and drilling waste disposal locations. Exploration activities utilized water within the allowable limits of the type A water licence (Part D items 1 and 2).

Plan for Compliance

The following sections address concerns brought forward in the Water Use Inspection that occurred on July 9, 2011.

Water Supply

In summer 2011, Lupin Mines personnel moved the barrels adjacent to and in Contwoyto Lake to a bermed area in an upland location above the high water mark.

Solid Waste

The required tailings containment area annual dam inspection occurred in September 2011. Following the inspection, inspectors made recommendations to LMI, to address various concerns relating to the integrity of the dam structures. In a letter to the NWB dated November 21, 2011, LMI committed to address these concerns in the 2012-2013 season. This letter is attached for your reference (Attachment 2).

In that regard, LMI has engaged an independent consulting firm, specializing in geotechnical and geochemical issues related to mining in a permafrost environment, to compile a work plan to address any geotechnical and geochemical concerns relating to the tailings containment area (TCA). The work plan is not yet finalized, but does include the following material aspects:

- Review and update the TCA closure plan.
- Assess the physical implementation of the cover on the TCA as compared to design.
- Assess seepage and water quality of the partially reclaimed TCA as compared to historical conditions and predicted conditions for a fully reclaimed TCA.
- Evaluate the risks associated with current geotechnical and geochemical conditions.
- Evaluate the need for additional studies to assess permafrost and water management.
- Evaluate the need for on-going progressive reclamation (remedial measures) of the TCA.
- Evaluate effectiveness of cover design to meet future closure objectives based on current site conditions.

On site work is planned to commence in 2012. LMI will make this plan available to AANDC once it is finalized (late in Q1 2012).

Fuel and Waste Oil Storage

In October 2011, LMI retained Nunavut Construction Limited (NCL) to conduct an inspection of the Lupin fuel containment facility, and address any concerns in the field. A significant amount of work was completed in October to ensure the integrity of the fuel containment system, however, winter weather conditions prevailed, limiting NCL's ability to address all of the issues arising from the inspection.

Subsequently, a fuel containment management strategy was submitted to Patrick Kramers at Environment Canada in Dec 2011, outlining the results of the inspection and associated repairs and recommendations for future works. Mr. Kramers deemed the strategy insufficient, requesting more detail. LMI has subsequently met with Mr. Kramers to discuss the draft report. A mutually agreed upon submission date for the final report is March 5, 2012 (see Attachment 3). The report will include the following:

- Description of baseline conditions of the fuel containment management system at the Lupin Mine.
- Inspection results, including pressure testing.
- Site improvements completed in 2011.
- Planned work for 2012.

LMI will make this plan available to AANDC and the NWB on March 5, 2012.

Surveillance Network Program (SNP)

Prior to LMI taking possession of the Lupin Mine in late July, the previous operators deemed water levels and available freeboard such that required treatment and discharge was not required (see Attachment 4). LMI understands that an inspection was undertaken with the previous owners and the NWB in that regard.

After taking physical possession of the mine, the TCA water levels and available freeboard were reviewed by an independent consultant with LMI staff present. We were advised at that time that there was insufficient time left in the open water season for LMI to assess water quality, mobilize, treat and discharge water. We were also advised that freeboard levels were still within reasonable criteria. Accordingly, LMI plans to discharge water from the TCA in 2012. Independent consultants have been hired to assist LMI with water management, as part of the TCA plan for 2012-13.

LMI recognizes that there are exposed tailings in the TCA and are currently working with an independent consultant in this regard. LMI plans to address this matter in 2012, as part of the TCA plan for 2012-13.

Should you have any questions relating to the above, please contact the undersigned.

Sincerely,
Lupin Mines Incorporated.



Patrick Downey
President and CEO

Encl.

CC. P. Kramers, Environment Canada
D. Hohnstein, NWB
P. Beaulieu, NWB

Attachment 1-GPS Coordinates for Drilling, Waste Disposal and Water Sources

HoleID	Nad83Z12X	Nad83Z12Y	Type	Longitude	Latitude		Longitude	Latitude
L11001	489602	7293493	Hole	-111.23	65.76	On mine pad	111° 13' 48" W	65° 45' 36"N
L11002	489602	7293493	Hole	-111.23	65.76	On mine pad	111° 13' 48" W	65° 45' 36"N
L11003	489668	7293436	Hole	-111.23	65.76	On mine pad	111° 13' 48" W	65° 45' 36"N
L11004	489668	7293436	Hole	-111.23	65.76	On mine pad	111° 13' 48" W	65° 45' 36"N
L11005	489668	7293436	Hole	-111.23	65.76	On mine pad	111° 13' 48" W	65° 45' 36"N
L11006	489668	7293436	Hole	-111.23	65.76	On mine pad	111° 13' 48" W	65° 45' 36"N
L11007	489634	7293441	Hole	-111.23	65.76	On mine pad	111° 13' 48" W	65° 45' 36"N
L11008	489634	7293441	Hole	-111.23	65.76	On mine pad	111° 13' 48" W	65° 45' 36"N
L11009	489559	7293446	Hole	-111.23	65.76	On mine pad	111° 13' 48" W	65° 45' 36"N
L12010	489560	7293442	Hole	-111.23	65.76	On mine pad	111° 13' 48" W	65° 45' 36"N
L12011	489550	7293506	Hole	-111.23	65.76	On mine pad	111° 13' 48" W	65° 45' 36"N
Cuttings Disposal	489390	7293134	Location	-111.23	65.76	Tailing Pond	111° 13' 48" W	65° 45' 36"N
Water Source 1	490070	7295100	Location	-111.22	65.78	Contwoyto Lake	111 13' 12" W	65° 46' 48"N
Water Source 2	489910	7295020	Location	-111.22	65.78	Contwoyto Lake	111 13' 12" W	65° 46' 48"N
Greywater Disposal	489355	7293175	Location	-111.23	65.76	Upper Sewage Lagoon	111° 13' 48" W	65° 45' 36"N

Attachment 2-Letter to NWB, Committing to Address Geotechnical Issues



21 November 2011

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

Submitted in hardcopy (1) and via email to: licensing@nunavutwaterboard.org

Dear Ms. Beaulieu

Re: Annual Geotechnical Inspection Report for Lupin Mine, Licence #2AM-LUP0914

Please find enclosed a pdf version (hardcopy to follow) of the annual geotechnical inspection of Perimeter Dams and Tailings Containment Area at the Lupin Mine site, prepared by TBT Engineering Consulting Group. Lupin Mines Incorporated is the owner of the Lupin Gold Mine and a wholly-owned subsidiary of Elgin Mining Inc. (Elgin). General issues and recommendations within this report were discussed with Elgin staff who attended the inspection, and Elgin plans to address the recommendations made in this report during 2012-2013.

If you require further information or have questions or comments regarding the annual geotechnical inspection of the perimeter dams and tailings containment area at Lupin, do not hesitate to contact me. I can be reached at 403.512.7824 or shamm@elginmining.com.

Kind regards,

A handwritten signature in blue ink, appearing to read "Sharleen Hamm".

Sharleen Hamm
Manager, Environment and Community Affairs
Elgin Mining Inc.

Elgin Mining Inc.
#1104-750 West Pender St.
Vancouver, BC Canada V6C 2T8
Phone: +1 (604) 682 3366 Fax: +1 (604) 682 3363

Attachment 3a-Communication with P. Kramers, Environment Canada, Regarding Fuel Containment

Hi Sharleen:

I have reviewed your submitted compliance assessment and remediation report and have found it insufficient. During our inspection last summer, it was agreed upon that Elgin Mining had inherited several non-compliant systems through its recent purchase of the Lupin Mine from MMG Resources but it was also stressed that compliance with the Regulations was considered mandatory and remedial activities would have to be effected in order to avoid non-compliance and subsequent enforcement actions. The strategy that was agreed to by all parties on site was that a detailed compliance assessment of **all systems** on site be performed and a benchmarked return to compliance action report be submitted to Environment Canada within 90 days of the inspection date. The report submitted consisted of a 3 page "Memorandum" which did not meet the expected standard of assessment of all systems on site. I ask that Elgin re-work this report and include a detailed description of **each system** in comparison to the applicable portions of the Regulations and have the report include measurable benchmarks for remediation of non-compliance.

Please report your anticipated re-submission date as soon as possible.

Thanks

P.

Patrick Kramers

Enforcement Officer | Agent de l'application de la loi
Northern District (NT & NU) | District du nord (TN & NU)
Prairie and Northern Region | Région des prairies et du nord
Environmental Enforcement Directorate | Direction de l'application de la loi en environnement
Enforcement Branch | Direction générale de l'application de la loi
Environment Canada | Environnement Canada
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patrick.kramers@ec.gc.ca

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From: Sharleen Hamm [<mailto:shamm@elginmining.com>]
Sent: December 22, 2011 9:48 AM
To: Kramers,Patrick [Yel]
Cc: Laudrum, Arlene; Karyn Lewis
Subject: RE: Lupin Inspection

Good morning Patrick,

Please find attached the remediation plan for the Lupin fuel containment facilities. Remedial works are planned for 2012, as per the recommendations made herein, to ensure compliance of facility operation.

Please contact me with any questions or comments you may have regarding this plan.

Wishing you a safe and happy holiday season,
Sharleen

Sharleen Hamm

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Attachment 3b-Communication with P. Kramers, Environment Canada, Regarding Fuel Containment

I don't think that would be unreasonable but lets talk about it during our meeting next week. Sound fair?

From: Sharleen Hamm [<mailto:shamm@elginmining.com>]

Sent: January 10, 2012 9:41 AM

To: Kramers,Patrick [Yel]

Subject: RE: Report Submission Date

Hi Patrick,

I would like to propose a submission date of Monday March 5 for the revised report. Rationale for this is as follows:

- I currently have a working draft of the report, which we can review during our meeting next week, to confirm that it will meet your expectations.
- I will be on site at Lupin Feb 17-24, and will be confirming some elements of system during that time.
- One week following the field visit will be used for report finalizing and internal approval prior to submission to EC.

Sharleen

From: Kramers,Patrick [Yel] [<mailto:Patrick.Kramers@EC.GC.CA>]

Sent: January-10-12 8:25 AM

To: Sharleen Hamm

Subject: Report Submission Date

Hi Sharleen

Can you please provide a date for submission of the revised remedial action report for the Lupin mine storage tank systems?

Thanks

P.

Patrick Kramers

Enforcement Officer | Agent de l'application de la loi

Northern District (NT & NU) | District du nord (TN & NU)

Prairie and Northern Region | Région des prairies et du nord

Environmental Enforcement Directorate | Direction de l'application de la loi en environnement

Enforcement Branch | Direction générale de l'application de la loi

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Attachment 4-Communication with MMG

From: Ian Neill [<mailto:Ian.Neill@mmg.com>]
Sent: Thursday, June 30, 2011 9:47 AM
To: Harden,Chad [Yel]
Cc: Martin McFarlane; Michael McConnell; Patrick Downey
Subject: RE: Discharge schedule at Lupin Mine

Hi Chad,

As you are aware, the sale process of the Lupin site to Elgin Mining is underway.

MMG has no plans to make a discharge from the Lupin site this season. Current water levels behind the dam are low enough that a release this season is not required. I inspected the site yesterday at the request of Elgin Mining to satisfy their request for information about the level of water within the ponds and have included the memo on the current conditions here for your reference.

When the sale process is complete, I would suggest that you contact Patrick Downey to confirm that Elgin is not planning to make a release this season. If you would like to visit site before then, please let me know and we can arrange something,

Regards,

Ian

IAN NEILL
EXPLORATION MANAGER - CANADA

MMG | MINERALS AND METALS GROUP

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VANCOUVER BC CANADA V6C 3E1

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IAN.NEILL@MMG.COM

WWW.MMG.COM

From: Harden,Chad [Yel] [<mailto:Chad.Harden@EC.GC.CA>]
Sent: Thursday, June 30, 2011 7:29 AM
To: Ian Neill
Subject: Discharge schedule at Lupin Mine

Good morning Ian,

My name is Chad Harden Enforcement Officer with Environment Canada and I am the lead for the Metal Mining Effluent Regulations (MMER). I was advised by Andrew Mitchell that MMG would be discharging from their tailings pond this year up at the Lupin Mine site. Has a date or schedule been established for when this discharge is going to occur. I would like to schedule an on site inspection this summer during the discharge season for the purposes of collecting samples.

If you could get back to me on this it would be appreciated.

Regards,

Chad Harden

Enforcement Officer/Agent de l'application de la loi
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