



Field Operations Division
Nunavut Regional Office
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October 1, 2014

Patrick Downey
Lupin Mines Inc.
c/o Elgin Mining Inc.
#1204-700 West Pender St.
Vancouver, BC V6C 1G8

Re: LMI's August 25, 2014 Response to 2014 Inspection Report

Hello Mr. Downey,

Thank you for your August 25 response to the July 15 2014 Inspection Report, sent August 5, 2014. I will respond to your comments, which are below in italics:

- 1) *Sewage Lagoon – Lupin Mines has applied to discharge Sewage Lagoon on an emergency basis. The sampling to the standards required from the designated location have been completed and the sample met the required discharge requirements. We forwarded this data to the relevant authorities. We understand that a decision has been reached on what to do in terms of discharge but we are awaiting an official response. As of the date of this reply, the water levels continue to be dangerously close to the top of the dam and therefore could overtop and cause significant structural damage.*

R: I believe this issue has been addressed in the way of the Direction issued September 8, 2014. Please provide a detailed update (date and volume of decant) as requested on September 22, by October 10, 2014.

We shipped significant waste off site in 2012 and 2013 as and when the opportunity arose with backhauls. Lists of all materials and quantities were included with monthly reports. Hazardous waste was a priority with backhauls.

R: As the site is not currently occupied I did not request waste manifests while on-site. Please provide waste manifests for 2012 and 2013 to the Inspector by November 15, 2014.

- 2) *The fuel barrels you refer to are actually WSC barrels and are not the property of Lupin Mines and were not deposited there by Lupin Mines. Lupin Mines contacted WSC who stated that they had the number of barrels they deposited did not require a berm and that they believed they had deposited*



30m from the water. They did state that they would move remove the barrels and give you a call to discuss the situation and in future they would contact Lupin Mines to get the appropriate approvals as to where to store the fuel.

I have been in contact with WSC and they have been notified that they are to ensure barrels deposited at Lupin are done so in compliance with the terms of LMI's authorizations. As LMI is the Licensee (or Lessee/Permittee in terms of the Lands authorizations), LMI remains ultimately responsible for occurrences on the property.

Small tears do occur on the main tank farm from time to tome where the liner is exposed (generally on top of the berm)and therefore not susceptible to leaks. These are caused by caribou. Lupin Mines repairs these when found and re-covers the liner. This was completed last week.

R: Please include a description of the work in the Annual Report.

There has been a full mitigation plan on the Satellite Tank Farm(STF) submitted and also approved by Environment Canada. This entails removing the STF from service which is partially complete. Once completed all contaminated soil will be dealt with in the appropriate manner. We have had this fully reviewed and it is part of the mine closure plan. Furthermore we had an independent expert review the spillage and the liner integrity and they stated that the contaminated soil could NOT have been leakage through the liner but was likely a spill when the STF tanks were being filled some time in the past.

R: Please provide this documentation with respect to the liner integrity to the Inspector with the report required as per Item 6 of the Inspection Report by October 31, 2014. The spill is to be addressed as per the approved Spill Contingency Plan.

We do not know who owns the shack and barrels referred to in the report and in the photos and do not believe it is even within our surface leases. We understand it belongs to and is used by a local person.

R: I conducted a review of the surface leases and believe one or both of the shacks by Esker Lake are in fact on Lease 076E/11-2 (Fingers Lake Quarry and Access Road). See attached map and photo. As parts of each building are covered with the same orange siding as the Lupin infrastructure, it is not an unreasonable assumption that these structures belong to, or came from, Lupin site. Unless proven otherwise, these sites are to be maintained according to the land and water authorizations.

The culvert referred to in the report between the upper and lower lagoon is part of the design and although rusted it is still operating as designed.

R: Thank you for the clarification.

3) *All washouts on the TCA road are repaired when discovered. This is reported in our annual geotechnical reports.*



R: I look forward to the Geotechnical Report, Plan, and Timelines associated with the engineered structures to be provided by October 31, 2014.

4) *Lupin Mines are of the opinion that photographs showing uncovered tailings are no uncovered or windblown tailings. Lupin Mines and a third party have examined this material and we are both of the opinion it is the esker material used as part of the tailings cover approved by all parties and the NWB. The material is much different than the tailings deposited in the storage ponds in grain size which we believe indicates that it is a different material. There may well be elevated arsenic levels but that it is the case for most, if not all, esker material in the vicinity of the Lupin Mine and most soil samples from all over the surface leases have elevated background of arsenic.*

R: Please consider the following:

From Lupin's Annual Reports:

2005: Reclamation activities in the TCA during 2005 saw a major portion of Cell 5 and another portion of cell 3 covered by a minimum of 1.0 metre of esker gravel. The work was carried out between June 23 and September 28, 2005, with a total area covered of approximately 383,001 square metres. The esker material is an effective cover medium that serves to eliminate wind dispersal of dry tailings, protects against contact with exposed tails by fauna, and the embedded moisture layer prevents oxidation of the underlying tails and provides support for plant growth. Examples of the tailings cover activity undertaken in 2005 can be seen in Photos 1 through 5. Figure 1 shows the extent of the covered cells in the TCA at the end of 2005. Approximately 250,000 square metres of exposed tailings remain to be covered.

2006: Approximately 250,000 square metres of exposed tailings remain to be covered. This work was scheduled to be completed during the summer of 2006; however, due to the premature shutdown of the 2006 winter road, Lupin did not receive enough fuel to carry out the program in 2006.

2007: There were no abandonment and restoration activities performed on site in 2007.

2008: There were no abandonment and restoration activities performed on site in 2008.

2009: There were no abandonment and restoration activities performed on site in 2009.

2010: only geotech recommendations from 2009 were addressed

2011: No reclamation activities as it relates to the tailings cover occurred in 2011.

2012: No progressive abandonment and reclamation works occurred in 2012. Works planned for 2013 include: Addressing uncovered tailings in TCA; Conducting an assessment of the current status of tailings cover in the TCA...

2013: Progressive reclamation activities during 2013 consist of backhauling 51 mega bags of waste from the site.

From Lupin's Abandonment and Restoration Plans:

2010 AR Plan:

As part of ongoing restoration activities, and as described in the 1988, 1995, 2003 and 2004 Annual Reports to the Nunavut Water Board, Lupin has continued to cover the exposed tailings in completed cells with between 1.0m to 2.0m of esker material. To date, approximately 880,000 square metres of exposed tails have been covered. It was planned (Kinross) to cover the remaining exposed areas,



approximately 650,000 square metres, in 2005 and 2006; however, as the mine is now in care and maintenance, the remaining exposed areas will be covered at the time of closure

2012 AR Plan:

As part of ongoing restoration activities, and as described in the 1988, 1995, 2003 and 2004 Annual Reports to the Nunavut Water Board, Lupin has continued to cover the exposed tailings in completed cells with between 1.0 m to 2.0 m of esker material. To date, approximately 880,000 m² of exposed tails have been covered. It was planned (Kinross) to cover the remaining exposed areas, approximately 650,000 m², in 2005 and 2006; LMI plans to cover the remaining exposed tailings in 2012.

R: (cont.) It seems unlikely that uncovered tailings would be reported every year if it were not so. Unless LMI can immediately provide documentation that the work has been undertaken, the tailings are to be covered by October 31 as outlined in the inspection report, or the matter will proceed to enforcement action.

We do not believe that relocating the small amounts of windblown esker from the tundra is practical and in fact may well cause significant damage to the tundra. We do welcome discussion on this issue in terms of seeking a practical working solution.

R: Please provide to the inspector for consideration the documentation and assessment showing that the material outside the TCA is esker material and not tailings by November 15, 2014.

5) Letters submitted to you October 31, 2012 and on December 27, 2012 addressed the inspection report concerns and we were under the impression that these items had all been completed. There was compliance plans submitted with both letters. The risk assessment report was included from SRK with the annual report along with the compliance plan and all communication in relation to the site visit.

R: The compliance plan is intended as a tool between the Inspector and the Licensee, and was not intended to be submitted to the Board until it satisfied the Inspector. The compliance plan that was submitted in 2012 had a number of errors which were identified to Mr. Vokey on the phone. Mr. Vokey did not provide the corrections as requested. I have not had the opportunity to review the newest compliance plan and compare it to the original to determine whether the items of concern were addressed. Please submit the latest version to me for review by October 10, 2014.

From LMI's December 27, 2012 letter to the Inspector: *"To adequately satisfy AANDC's request for a risk assessment of legacy hazards and contamination issues, LMI agreed to provide an addendum to the Lupin Environmental Site Assessment (ESA) dated 2006 as noted in its Plan for Compliance, dated October 2012 (Part H, Item 3). This assessment will prioritize risks to the receiving environment; determine the mechanisms that could cause contamination to leave the site footprint assess whether or not contamination is present or occurring; and determine mitigation measures to prevent further contamination. Due to the amount of work involved to satisfy the risk assessment requirement it was not logistically possible to complete it by September 15, 2012 or in advance of the October 31, 2012 Plan for Compliance deadline to inform the Plan for Compliance. As such, LMI focussed its immediate attention on timely completion of the requested Plan for Compliance and agreed to submit the ESA addendum as*



part of the 2012 Annual Report by March 31, 2013. LMI has contracted this work to its consultants who are actively working towards the March 31, 2013 submission date."

However, what was submitted with the Annual Report was the "2012 Geotechnical Inspection Follow-Up Risk Assessment and Water Quality Review"; a document that assessed the risk of failure of M-Dam or L-Dam within the TCA, and which bears absolutely no relevance to the assessment that was requested by the Inspector in 2012. To my knowledge this item remains outstanding.

Please clarify whether the ESA update was undertaken, and when the results will be available.

I look forward to meeting you at the TM-PHC meetings in Kugluktuk.

Regards,

Eva Paul

Water Resources Officer | Agent des ressources en eau

Aboriginal Affairs and Northern Development Canada | Affaires autochtones et Développement du Nord Canada

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Att: 1. Photo of shacks at Esker Lake
 2. Lease 076E/11-2 boundary drawing

CC: Phyllis Beaulieu, Manager of Licensing, NWB
 Erik Allain, Manager of Field Operations, AANDC
 Baba Pedersen, Resource Management Officer, Kitikmeot Region, AANDC