

## **LUPIN MINES INCORPORATED**

March 25, 2016

Nunavut Water Board  
P.O. Box 119  
Gjoa Haven, NU, X0A 1J0

Attention: Karen Kharatyan, A/Manager of Licensing

**Re: 2AM-LUP1520 – Lupin Mine Project – Lupin Mines Incorporated (LMI) –  
Technical Review of INAC's Application to Increase the Security for the Lupin Mine Licence**

Dear Sirs and Mesdames:

Please accept this letter and its enclosures as Lupin Mines Incorporated ("LMI") comments for the technical review for INAC's request to the Nunavut Water Board (NWB) on January 22, 2016 to increase the amount of security for Licence 2AM-LUP1520 (the "Licence").

While the ARCADIS inspection of the Lupin Mine site on August 21-22, 2015 allowed ARCADIS to observe the facilities and equipment on site in person, which they had not previously done so, ARCADIS ultimately concluded that the conditions on site remained generally unchanged from the conditions described in the information LMI provided to the NWB during the license renewal process during 2014-2015.

The purpose of Part C, Item 3 of the Licence was to allow INAC the right to apply for a change in the amount of security if there was substantive information about current conditions at the site that could challenge the extent to which the \$25.5 million security estimate remains adequate and appropriate in the circumstances. In particular, in its letter to Minister Valcourt dated August 21, 2015, the NWB explained:

*AANDC's estimate also did not provide compelling evidence as to why an increase of approximately 70% in the reclamation security estimate that was in place under the previous or expired licence is now required for a renewed licence when there is no significant change to water use, waste deposit and the phase of the undertaking authorized under the Proposed Licence when compared to the previous expired licence.*

...

*Although during the Board's further consideration of the quantum of security the Board has received no new evidence that would point to the need for an immediate amendment to the security amount currently fixed under Part C, Item*

*1, the Board does recognize that AANDC's site visit, including geotechnical investigations in August may yield substantive information regarding the current conditions at the site that could challenge the extent to which the \$25.5 million security estimate remains adequate and appropriate in the circumstances.*

### **ARCADIS Cost Closure Estimate Report**

LMI respectfully submits that the ARCADIS Reclaim estimate is not based on any "substantive information regarding the current conditions at the site", but is primarily a re-calculation with new rates for information already considered by the NWB during the licensing renewal process. Further, the cost estimates used by ARCADIS are not supported by contractor estimates, as LMI did, but are estimates based on ARCADIS's experience with other projects that are not comparable to the Lupin Mine. LMI has provided its responses in tabular form as enclosure to this letter.

Further, where there are any changes, many of the changes are an improvement to the site, such as approximately 130,000lbs of waste backhaul completed during the summer season of 2015. We also note that where ARCADIS has come to different conclusions on the site conditions, the issues are small and the difference between the two estimates almost negligible. For example, ARCADIS has estimated that there is 50,000m<sup>3</sup> of contaminated soil. While LMI's estimate of 40,000m<sup>3</sup> is based on a survey, as opposed to ARCADIS' estimate, the difference in remediating an extra 10,000m<sup>3</sup> of soil is less than \$10,000. LMI submits that the \$25.5 million security currently posted provides a very healthy and conservative contingency of 19%, which similar mature projects would not require, and therefore any small increases can be considered secured by the contingency.

As described further below, LMI respectfully submits that there has been no change in circumstances and that INAC is attempting to re-argue information and conditions which have already been considered by the NWB. In particular, AANDC continues to submit that its estimate, based on worst case assumptions and significant contingency to reflect uncertainty, is a more appropriate basis for the reclamation estimate even though the site conditions remain unchanged since August 21, 2015 when the NWB issued its decision on its reconsideration of the security. In particular, there is no new material evidence on fuel usage, tailings cover, ARD, or contaminated soils. The ARCADIS Report is based on substantially the same information, site conditions, assumptions and conclusions as the previous report.

### **Fugitive Tailings Assessment Report**

In response to the ARCADIS Fugitive Tailings Assessment Report, LMI relies on the memorandum from SRK Consulting (Canada) Inc. dated December 31, 2015. While this report has already been filed with the NWB, we enclose it again here for your convenience.

LMI committed in 2014 to conducting a soil sampling program and assessment outside of the Tailings Containment Area, near Dam 6. The plan for the sampling program was provided to INAC and NWB by way of a memorandum dated October 29, 2014 from SRK Consulting

(Canada) Inc. INAC's concern regarding the potential for windblown or fugitive tailings has already been considered by the NWB and LMI's commitment to conduct the sampling program was included as a condition of the Licence by the NWB (Part 3, Item 26 of the Licence).

As required, LMI conducted the sampling program in 2015, including replicating samples taken by ARCADIS for its report, and filed SRK Consulting's memorandum dated December 31, 2015 with the NWB. Both the ARCADIS report and the SRK Consulting report agree that there is some evidence of tailings outside of the containment area and SRK concluded that the deposit was historical and that there is no evidence that tailings are currently being carried out of the tailings containment area. Finally, not only is there no evidence that fugitive tailings are currently being deposited outside of the tailings containment area, there is no evidence that the confirmed historical deposit of tailings justifies any increase in the quantum of security.

### ***INAC Site Inspection***

LMI notes that the INAC site inspection form is dated October 30, 2015. LMI had not received a copy of this inspection until INAC submitted its request to the NWB for an increase in security for the Lupin Mine. Please find enclosed LMI's response to the Inspection Report.

LMI submits that there is no information in the inspection report which suggests a change in conditions at the Lupin Mine site which would justify an increase in security.

### ***Conclusion***

The report and documents provided by INAC to the NWB are insufficient to justify an increase in the security for the Licence, as per Part C, Item 3 of the Licence. LMI also notes that Part C, Item 4 of the Licence requires LMI to reassess and update the reclamation security for the Project and provide the NWB with an updated assessment on or before September 30, 2017.

If you require any further information, please do not hesitate to contact the writer.

Yours truly,

*"Karyn Lewis"*

Karyn Lewis  
Lupin Mines Incorporated

cc. Robin Ikkutisluk  
Megan Porter

