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NUNAVUT WATER BOARD
NUNAVUT IMALIRIYIN KATIMAYINGI
OFFICE DES EAUX DU NUNAVUT

File No.: 2AM-LUP1520 / C3
Amendment Request

September 8, 2016

Karyn Lewis
Lupin Mines Incorporated
76 Richmond Street East, Suite 330
Toronto, ON M5C 1P1

Email: klewis@elginmining.com

Ian Parsons, Regional Coordinator, B.Sc.
Indigenous and Northern Affairs Canada
P.O. Box 100 Iqaluit, NU X0A 0H0

Email: ian.parsons@aandc-aadnc.gc.ca

RE: Licence No. 2AM-LUP1520 – Nunavut Water Board (NWB) Direction With Respect to Next Steps in the Request of Indigenous and Northern Affairs Canada (INAC) to Amend the Amount of Security under the Licence

Dear Ms Lewis and Mr. Parsons:

As discussed during the completion of the NWB teleconference on August 24, 2016, on August 30, 2016 the full Board met by teleconference to consider whether, as permitted under s. 30 of the *Nunavut Waters and Nunavut Surface Rights Tribunal Act*,¹ it is advisable to retain a neutral third party contractor/consultant to provide technical support to the Board during the NWB's consideration of the request to amend the amount of reclamation security under Licence No. 2AM-LUP1520. On the basis of the submissions of the Licensee, Lupin Mines Incorporated (LMI) and INAC (the Parties) filed with the Board to date, the submissions of the Parties during the teleconference meeting of the Parties hosted by the NWB on August 18 and continued on August 24, 2016 and the recommendations of the NWB staff, the NWB decided by way of Board Motion #2016-08-09 that the NWB should:

retain a third party reclamation consultant/contractor to conduct a neutral third party review and report to the Board on the reclamation security estimates provided by LMI and

¹ Section 30 states as follows:

The Board may...engage the services of such agents, advisers and experts as are necessary for the proper conduct of its business...

INAC to date for Type “A” Water Licence 2AM-LUP1520.

The NWB staff are currently preparing the necessary workplan and budget associated with this engagement for submission shortly to INAC and have also prepared a draft scope of work to begin discussions with the third party reclamation consultant/contractor. As discussed with the Parties, the proposed scope of work will include a short (2 day) site visit for the third party reclamation consultant/contractor. The draft scope of work requires the third party reclamation consultant/contractor to conduct their review of LMI’s reclamation security estimate and INAC’s reclamation security estimate, with an awareness of the following outstanding issues where there remains a disagreement between the Parties:

- a. Effect and extent of material changes to site conditions since the Licence was issued in 2015:
 - i Increased petroleum hydrocarbon contamination flagged by INAC over that included in LMI’s original estimate;
 - ii Remedial/waste management work completed by LMI since LMI/INAC estimates prepared; and
 - iii Spills/releases or other additional contaminant impacts identified since LMI /INAC estimates prepared;
- b. Accounting for interim care and maintenance;
- c. Appropriate term for post-closure monitoring and maintenance;
- d. Closure planning costs (including potential amendments to water licence, hearings, applications and reports);
- e. Use of fuel left on-site (and contribution to mobilization and demobilization costs as well as waste disposal costs);
- f. Tailings cover requirements (past, existing and future requirements);
- g. Changes in the RECLAIM unit rates (Version 6.1 vs 7.0) used in LMI/INAC estimates prepared, as well as change reflected in ‘actual’ unit rates of reclamation measures conducted recently;
- h. Chemical and waste management/disposal requirements upon site closure and reclamation;
- i. Mobilization/De-mobilization requirements for equipment required to complete closure and reclamation;
- j. Selection of appropriate contingency amount (overall and in specific sections); and
- k. Potential “double counting” in INAC’s building decommissioning estimates (use of LMI’s higher unit costs without the recognition that these costs included a number of items that were then added on top of the unit costs in other sections of INAC’s estimate).

The draft scope of work will require the third party consultant/contractor to provide the NWB with a report summarizing their findings regarding an acceptable security estimate for the undertaking (INAC’s value, LMI’s value or a value derived from the analysis of both INAC’s and LMI’s

estimates). As discussed in the teleconference on August 24, 2016 the third party consultant/contractor will NOT be tasked with developing their own independent reclamation security estimate) and will be basing their recommendations to the NWB on the security reclamation estimates provided by the Parties, the third party consultant/contractor's site visit and the supporting information filed with the NWB by the Parties to date, and in response to any specific information requests by the third party consultant/contractor.

Recognizing that the window of opportunity to conduct a site visit is rapidly coming to an end (September 19-30), the NWB will be seeking to retain the third party reclamation consultant/contractor as soon as possible. To that end, the NWB has received the following recommendations from INAC and LMI regarding a suitable third party consultant/contractor to be considered by the NWB for this work:

INAC

- Tetra Tech/EBA
- Stantec
- AECOM

LMI

- Hatch
- Knight Piesold (KPI)
- Fluor, and
- Tetratech-EBA

Once the third party consultant/contractor has been retained, the NWB anticipates that a teleconference with the Parties to discuss the logistics for a site visit will be required and the NWB will follow up with the Parties for that purpose in the very near future.

If you have any questions regarding the above, please contact the NWB's Licensing Department, at licensing@nwb-oen.ca.

Sincerely,

Stephanie Autut
Executive Director
Nunavut Water Board

Cc: Geoff Clark, Kitikmeot Inuit Association
Lupin Distribution List