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NUNATSIAQ ONLINE

NEWS: Nunavut July 10, 2011 - 6:07 pm

New firm plans revival of Kitikmeot's Lupin gold mine

High global prices make Nunavut gold properties attractive

NUNATSIAQ NEWS

After paying \$4.8 million to acquire the property indirectly from MMG Resources Inc., a company called Elgin Mining Inc. now plans to revive the Kitikmeot region's mothballed Lupin gold mine.

In 1998, Nunavut's westernmost region lost about 50 high-paying jobs when the mine's previous owner, Echo Bay Mines, temporarily suspended operations before resuming production later.

In August 2003, a new owner, Kinross Gold Corp., suspended operations and in early 2005, closed the money-losing mine for good. About 24 Kitikmeot residents received layoff notices.

At that point in 2003, the market price of gold stood at around \$345 an ounce, while Lupin's production costs had climbed to \$409 an ounce.

But as of last week, gold was trading at above \$1,500 an ounce on global markets.

Since 2005, ownership of the property shifted to Wolfenden, who sold it to Oz Minerals, who in turn sold it to MMG Resources Inc., a subsidiary of China Minmetals.

MMG then transferred it to a private firm called Bonito Capital Corp. this past April 25. Bonito then agreed to sell 100 per cent of itself to Elgin Mining.

In 2005, the Kitikmeot Inuit Association and the Kitikmeot Corp. proposed turning the Lupin mine site into a mine training centre for Nunavummiut, but the idea fizzled.

And at one time, Kitikmeot leaders saw the Lupin site as a key link in the development of a new transportation system based around the Bathurst Port and Road Project. Lupin lies only 25 km from another mothballed operation, the Jericho diamond mine.

In a news release issued July 8, Robert Downey, the new CEO of Elgin, said that because of the Lupin mine's existing infrastructure and current water licence "we are in a great position to advance the project to production."

That infrastructure includes a 1,950-metre airstrip capable of handling Boeing 737 jets, a power plant, office and mill buildings, a residential complex for 450 people, and a fuel storage area that still holds seven million litres of fuel.

As part of the deal, Elgin also acquired the Ulu gold deposit, whose ore body holds an indicated resource of 720,000 tonnes of ore with a grade of about 11.7 grams per tonne, and an "inferred" resource of about 410,000 tonnes at about 10.7 grams per tonne.

Until May 2010, Elgin Mining Inc. was known as Phoenix Coal Inc., which controlled coal and other energy assets in the U.S. midwest. The company is now based in Toronto and Vancouver, and appears to be focusing its activities on its Nunavut gold properties.

The new CEO of Elgin, Robert Buchan, is a former CEO of Kinross Gold Corp., Lupin's old owner.

Between 1982 and 2005, the Lupin mine produced about 3.37 million ounces of gold.

Elgin now plans to start exploratory drilling at the Lupin and Ulu sites in 2012, their July 8 press release said.

After depositing \$27 million in reclamation bonds with the federal government, the company now has about \$13 million in leftover cash to pay for that work.

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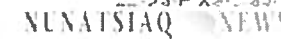
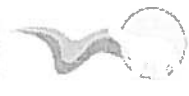
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