



Water Resources Division
Nunavut Regional Office
Iqaluit, NU X0A 0H0

Your File: 2BM-ULU0008
Our File/CIDM's:
9545-2-1.2BM.ULUA/261217

September 19, 2008

Richard Dwyer
Licensing Administrator
Nunavut Water Board
P.O. Box 119
Gjoa Haven, NU, X0A 1J0

**Re: 2BM-ULU0008 – Zinifex Canada Inc. – ULU Project, Renewal Type B
Water Licence Application – Kitikmeot Region, Nunavut**

Please be advised that Indian and Northern Affairs Canada (INAC) has completed a review of the Renewal Application of expired water licence #2BM-ULU0008 for ULU Project in the Kitikmeot Region. This application was submitted to the Nunavut Water Board (NWB) on August 21, 2008 by Aaron MacDonell of Zinifex Canada Inc. In conducting the review documents on the NWB's FTP-site under 2BM-ULU0008 were referred to.

Please feel free to contact me should you have any questions or comments. I can be reached at (867) 975-4568 or by email at RumboltI@inac-ainc.gc.ca.

Sincerely,

Original signed by

Ian Rumbolt
Regional Coordinator



Technical Review Memo

To: Richard Dwyer – Licensing Administrator, Nunavut Water Board

From: Ian Rumbolt – Regional Coordinator, Indian & Northern Affairs Canada

**Re: 2BM-ULU0008 – Zinifex Canada Inc. – ULU Project, Renewal Type B
Water Licence Application – Kitikmeot Region, Nunavut**

Echo Bay Mines Ltd purchased the ULU site lease from BHP in 1995 with plans to develop the property for additional mill feed to the Lupin mill. An underground development, diamond drilling and bulk sample program was initiated in 1996 to provide infill geological information. Wolfden Resources Inc subsequently purchased the ULU Project from Kinross Gold Corporation in February 2004, with Zinifex Canada Inc purchasing Wolfden in 2007. The ULU Project is situated in Nunavut, with the underground exploration site at 66° 54' N latitude and 100° 58' W longitude. The ULU Project at this particular time is in a state of Care and Maintenance, and will remain in this condition until it is feasible to start up production again. Zinifex submitted an application to renew water license # 2BM-ULU008 on August 21, 2008 to the NWB. The following has been provided to the NWB for consideration in the approval of the license renewal.

Comments/Recommendations:

- 1) The ULU Project is considered to be in a state of Care and Maintenance (C&M). It is suggested that Zinifex Canada Inc provide a C&M Plan for the ULU Project which would include water quality monitoring, fuel storage, equipment storage, site maintenance, water usage and all other components associated with ULU site.
- 2) The proponent is reminded that even though the project is in Care and Maintenance, an annual report must be filed by March 31st 2009 for the year ending December 31st 2008. The annual report must include but should not be limited to those items listed in Part B General Conditions Section 5 (a) through (q) of the expired water licence #2BM-ULU0008.
- 3) In the 2007 INAC Inspection Report it was noted that used oil and other hazardous materials were being stored outside a bermed secondary containment area. All waste oils and hazardous materials must be relocated inside of the bermed area or in an area whereby secondary containment is provided.



- 4) Water from the mine portal as well as standing water located outside of the portal was pumped to and contained within the Mine Sump near the portal. This water must be sampled and analysis provided to an INAC Water Resources Officer inspector and NWB 10 days prior to being discharged into the environment. Recommendations from the 2007 INAC Inspection Report included:
- All planned water discharges from the Mine Sump or Settling/Neutralization Ponds must include a 10 day notification to the Inspector prior to conducting the discharge.
 - All planned water discharges from the Mine Sump or Settling/Neutralization Ponds must meet the listed effluent quality requirements as contained within the license.
 - Water being pumped from the portal entrance should be directed into the mine sump and not released directly into the environment
 - These above items should be included as conditions in the license renewal (if they are not there already)
- 5) Detailed plans complete with mitigation measures must be submitted to the NWB for approval prior to any construction activity, including building of dams, dykes, or other retaining structures.
- 6) Should mining activity recommence at the site the Licensee must install a dual chambered, forced air incinerator to ensure the complete combustion of wastes. Determined efforts must be made to achieve compliance with Canada-wide standards for dioxins, furans and mercury. Furthermore, there shall be no open burning of wood treated with preservatives, plastics, Styrofoam, electrical wire, asbestos and/or any material which is likely to cause an adverse effect to any waters through the incomplete combustion of waste materials.
- 7) A waste management strategy that addresses the disposal, storage and handling of general garbage, metals and hazardous wastes (i.e. waste oils, propane tanks etc) must be included as either general conditions in the license or included as part of the Abandonment and Restoration or Care and Maintenance Plan for this site. All hazardous waste is to be disposed of off site at an approved facility.

Cc. Kevin Buck, Manager of Water Resources – Indian and Northern Affairs Canada, Nunavut Regional Office