



Water Resources  
Nunavut Regional Office  
P.O. Box 100  
Iqaluit, NU, X0A 0H0

December 30, 2011

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

Your file - Votre référence  
2BM-ULU0914  
Our file - Notre référence  
CIDM# 497994

**Re: Water Licence 2BM-ULU0914, Part B, Item 5 – Ulu Gold Project – Elgin Mining Inc. – Kitikmeot Region – 2011 Reclamation Cost Estimate**

Dear Phyllis Beaulieu:

Aboriginal Affairs and Northern Development Canada (AANDC) have completed a review of the 2011 Reclamation Cost Estimate submitted by Elgin Mining Inc. (Elgin) to the Nunavut Water Board (NWB). In conducting our review, AANDC referred to the following documents:

- Assignment of Water Licence 2BM-ULU0914 (NWB, 2011)
- Interim Abandonment and Restoration Plan (Elgin, 2011)
- 2011 Reclamation Cost Estimate (Elgin, 2011)
- Water Licence 2BM-ULU0914 (NWB, 2009)
- Ulu Annual Report (Zinifex Canada Inc., 2007)
- Ulu Licence Renewal (NWB Decision, 2000)
- Water Licence Inspection Report (INAC, 2007)
- INAC Inspection Photos (INAC, 2007)
- Ulu Project Review of A&R Plan and Reclamation Cost Estimate (Brodie Consulting Ltd., 1999)

AANDC agrees with KIA's comments to the NWB (December 24, 2011) regarding Elgin's 2011 Reclamation Cost Estimate, namely, that there is insufficient detail to review the Elgin's estimate and that the total estimate cost is not sufficient to reclaim the site.

**A. Background**

- The Ulu Gold Project is located entirely on Inuit Owned Lands in the Kitikmeot Region of Nunavut and is licenced by the NWB under water licence 2BM-ULU0914.



- Bonito Capital Corp., a wholly owned subsidiary of Elgin Mining Inc. (Elgin), purchased the Ulu Gold Project from MMG Resources Inc. in July 2011. the NWB authorized the assignment of the water licence to Elgin on September 9, 2011. On August 25, 2011, Elgin submitted an updated project reclamation cost estimate pursuant to Part B, Item 5 of the project's water licence.
- On September 2, 2011, the NWB distributed for review Elgin's 2011 Reclamation Cost Estimate. The original comment deadline of October 3, 2011 was extended to December 30, 2011 to allow the AANDC Water Resources Division sufficient time to review the submitted reclamation cost estimate and to discuss the matter with the Kitikmeot Inuit Association (KIA).
- As part of the water licence assignment process, the NWB required Elgin to furnish and maintain security with the Minister of AANDC in the amount of \$1,685,210 under Part B, Item 2 of the water licence. AANDC acknowledged receipt of the required security on July 8, 2011. The current security amount was determined during the Ulu Licence Renewal 2000 (NWB Decision, June 30, 2000) and was unchanged upon renewal of the licence in 2009.

#### **B. Reclamation Cost Estimate by Elgin**

- The total reclamation cost estimate submitted by Elgin on August 25, 2011 was \$1,861,462. AANDC notes that the submission (Excel spreadsheet) is lacking in detail, specifically in the following:
  - The model used was not identified.
  - There is no rationale provided for any of the calculations in the spreadsheet.
  - The proponent did not provide any information regarding fuel volume, condition of existing equipment, amount of waste rock that is potential acid generating and metal leaching, levels of contamination of hydrocarbon impacted soil, water drainage patterns, present site conditions, etc.
  - The proponent made a number of assumptions that are unrealistic and unreliable including the transfer of fuel and waste oil to High Lake including all infrastructure, extensive use of equipment, no potentially PAG waste rock underground, no costs associated with project management and engineering, a 15% contingency, etc.

#### **C. Reclamation Cost Estimate by AANDC**

- AANDC performed a Reclamation Cost Estimate using the RECLAIM model. The estimated total reclamation cost is approximately \$3,363,140 and is based on the reclamation of the Ulu Gold Project independent of that of the Lupin Mine. This amount should be considered with caution as, in the absence of important information ordinarily provided by the proponent, AANDC used a number of assumptions / estimates based on the documents reviewed as well as information from the KIA (photographs). No site inspection was



conducted to support the cost estimate. Please refer to Appendix 1, Ulu Gold Project Reclamation Cost Review (BCL, 2011), for further detail.

- It appears that the reclamation cost estimate submitted by Elgin is not sufficient.

#### **D. Recommendations**

- AANDC recommends that the NWB require Elgin to re-submit a revised estimate based on a more rigorous and detailed A&R Plan developed using a rigorous model. This could alter the reclamation cost estimate significantly. Please refer to Saskatchewan Guidelines for Northern Mine Decommissioning and Reclamation (Appendix 2), British Columbia Mine Reclamation Costing and Spreadsheet (Appendix 3), and the Ontario Regulation 240/00 ([www.e-laws.gov.on.ca](http://www.e-laws.gov.on.ca)) for additional reference – reclamation models in other jurisdictions.
- AANDC recommends that reclamation cost estimates for the Ulu and Lupin Projects be calculated independent of one another as they are owned by separate legal entities.
- AANDC further recommends that any revised estimate must include the following:
  - Identification of the model used to calculate the reclamation cost estimate. The model should be an established, recognized model such as RECLAIM, its equivalent or other similar methods approved by the Board,
  - The A&R Plan and Reclamation Cost Estimate details should be completed and stamped by a licensed P. ENG with expertise in earthworks and reclamation again using established and approved methodology.
  - Rationale should be provided with the A&R Plan and the Reclamation Cost Estimate.

Should you have any questions or comments, please do not hesitate to contact me at (867) 975-4738 or by e-mail at [Jean.Allen@aandc-aadnc.gc.ca](mailto:Jean.Allen@aandc-aadnc.gc.ca)

Sincerely,

*Original Signed By*

Jean Allen  
Water Management Specialist

cc. David Abernethy, A/Manager of Water Resources, AANDC  
Kevin Robertson, A/Manager of Field Operations, AANDC  
Bernie MacIsaac, Director of Operations, AANDC

Enclosure (3)