



Indian and Northern
Affairs Canada

Affaires indiennes
et du Nord Canada

Box 1500
Yellowknife NT X1A 2R3

File: W2008L2-0004, W2008D0016

Via Fax: (867) 766-7074

February 27, 2009

Vern Christensen
Executive Director
Mackenzie Valley Environmental Impact Review Board
P.O. Box 938
Yellowknife, NT X1A 2P1

Re: Type "A" Water Licence and Land Use Permit Application Review Process – Fortune Minerals Ltd. – NICO Project – Mining and Milling

Dear Mr. Christensen:

Indian and Northern Affairs Canada (INAC) has reviewed Fortune Minerals Ltd's Type "A" Water Licence and Land Use Permit applications for the NICO Project. Overall the information provided by Fortune Minerals is of good quality, we commend the company for that. Within the context of a sound regulatory regime in the Northwest Territories, INAC supports responsible economic development, while upholding Canada's responsibility to ensure that land and water are protected and the Crown's Section 35 legal duty to consult with Aboriginal peoples is met.

After careful review of the applications, INAC has determined that the NICO Project has the potential to adversely impact the environment. The Department has identified key areas where these impacts may occur: metal leaching / acid rock drainage, mine waste management, closure and general water quality issues. Details of these concerns are noted below:

Based on the information provided in the Water License application, the NICO Project has considerable potential for influencing the water quality of the receiving environment if effective water and mine waste management systems are not implemented. Of note are the documented presence of arsenic in the NICO ore, mine rock and tailings and the mobility of arsenic in both acidic and pH-neutral aqueous environments. The extent of the impact from arsenic and other metals will be dependent on numerous factors including the metal leaching capacity of the mine rock and tailings under site conditions, baseline concentrations and the resident species down gradient of the project site. To fully understand the potential impact of the project, a well planned and extensive geochemical characterization program and development of site-specific water quality objectives is necessary.

Specifically, the application lacks definitive documentation on how the proposed operational management plans and closure plan will achieve acceptable discharge concentrations from the different mine components, including the Tailing Management Area (TMA), the Mine Rock Management Area (MRMA), and the Effluent Treatment Facility (ETF). Details on these components should include alternatives and rationales as to why the selected options were chosen and how it could affect water quality and the environment. Complete background information is also necessary to evaluate the environmental impact of this project.

In addition, INAC has noted the concerns raised by the Wek'èezhii Renewable Resources Board on February 20, 2009, specifically the recommendation that this project be referred to an environmental assessment on the basis that the project may result in significant adverse environmental effects.

Therefore, as per Section 126(2)(a) of the *Mackenzie Valley Resource Management Act*, INAC refers Fortune Minerals Ltd.'s Water Licence and Land Use Permit Applications for the NICO Project Mining and Milling to the Mackenzie Valley Environmental Impact Review Board for environmental assessment.

If you have any further questions, please contact Candace Ross, Environmental Scientist in Environment & Conservation at 867-669-2407 or myself at (867) 669-2647.

Sincerely,

A handwritten signature in black ink, appearing to read "D. Livingstone". The signature is written in a cursive style with a large initial "D".

David Livingstone
Director, Renewable Resources and Environment

- cc. Mark Cliffe-Phillips, Regulatory Specialist, Wek'èezhii Land and Water Board
Anne Wilson, Environment Canada
Gavin More, Government of the Northwest Territories
Rick Walbourne, Department of Fisheries & Oceans