

LUPIN MINES INCORPORATED
(A Wholly Owned Indirect Subsidiary of Mandalay Resources Inc.)

Richard Dwyer,
Manager of Licensing
Nunavut Water Board
PO Box 119
Gjoa Haven, NU X0B 1J0

October 4, 2017

Re: Renewal/Amendment Type A Water Licence Application and Final Closure and Reclamation Plan for Lupin Mines Incorporated, Lupin Mine (NWB File No. 2AM-LUP1520)

Dear Mr. Dwyer,

Lupin Mines Incorporated (LMI or Company) is submitting this renewal/amendment Type A Water Licence Application and Final Closure and Reclamation Plan (FCRP) in accordance with the regulatory framework provided in the Nunavut Agreement and the *Nunavut Waters and Nunavut Surface Rights Tribunal Act* (NWNSRTA or Act) and *Nunavut Water Regulations* (Regulation) and well as the existing Type A Water Licence No. 2AM-LUP1520.

In lieu of separate letters from LMI, LMI herein confirms the following:

- A list of officers of the Company and list of external representatives (i.e., consultants) for purposes of this application are provided in the Application Form (Box 22); and
- A Statement of Financial responsibility is also provided in the Application Form (Box 23).

LMI would like to confirm their position with the NWB that the Company's financial responsibility is adequate for completion of the undertaking, mitigating adverse impact, ongoing maintenance, reclamation, and restoration of the undertaking. LMI is confident in assuming its position, taking into account its ongoing and past performance in the Kitikmeot Region, Nunavut, and Canada.

LMI intends to submit quarterly reports for review by the NWB, interested parties and Inspectors for confirmation of works completed. LMI expects the report will form the basis for the security refunds and will define the requests for security refund based on completion of line items provided in the most recent cost estimate, regardless of actual cost expended on the reclamation works. LMI believes refunds should be based on estimated values provided by LMI, given that the posting of security is based on an accepted estimate.

It is LMI's expectation that inspections to be completed by DIAND under the Act will be completed on a timely (i.e. quarterly) basis in line with LMI reporting such that the processes for securing of refunds can be applied efficiently, thereby allowing LMI to apply the refunds to ongoing reclamation works thus completing the work on schedule, as efficiently as possible.

Concordance has been provided in consideration of the Closure Terms and conditions of the current and prior Type A Water Licences issued for the Project (Refer to Appendix B of the FCRP). LMI anticipates that a review of the current Licence conditions will be carried out and those conditions

conditions related to the operations phase of the undertaking will be removed. LMI intends to provide a Draft Water Licence Framework during the regulatory review process for consideration.

I trust the above and attached information meets the NWB requirements for a Type A Water Licence Application. If you have any questions regarding this application, please call me at (778) 386-7340.

Yours truly,



Karyn Lewis
Project Manager, Lupin Mine and Ulu Gold Project
Mandalay Resources Corp./Lupin Mines Incorporated/Bonito Capital Corp.
General Administration, Mandalay Resources Inc.

76 Richmond Street East, Suite 330
Toronto, Ontario M5C 1P1
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Attachments:

- 1 - Water Licence Amendment Application Form
- 2 - Table A List of Supplemental Documents to the Application
- 3 - Table B Licence Compliance Assessment and Status Report (Pending August 3, 2018)
- 4 - Executive Summary (English included - Translation Pending August 3, 2018)
- 5 - Final Closure Reclamation Plan