

LUPIN MINES INCORPORATED

April 10, 2018

Nunavut Water Board
P.O. Box 119
Gjoa Haven, NU, X0A 1J0

Attention: Karen Kharatyan, A/Manager of Licensing

Dear Mr. Kharatyan:

LMI Prepared Meeting Record of Nunavut Water Board Hosted Teleconference of April 6, 2018 to Discuss Lupin Mines Incorporated's Updated Interim Closure and Restoration Plan, Updated Closure Cost Estimate and Request for Reduced Reclamation Security (October 2017)

Dear Mr. Kharatyan,

As discussed during the above-noted teleconference, please find enclosed a meeting record prepared by Lupin Mines Incorporated (LMI) intended to provide a detailed summary of the discussions. LMI respectfully requests that a copy of this record of the meeting be placed on the public registry and that it be provided to the Nunavut Water Board (NWB or the Board) in order to support their decision making on this file.

LMI also wishes to emphasize the importance of a timely decision with respect to this application to supporting successful reclamation at the Lupin Mine site. LMI, and Mandalay Resources submit that all parties have a vested interest in the expeditious, safe and appropriate stewardship of environmental assets in the North and that all parties should work within an agreed upon timeline and process toward the reclamation of the Lupin site. Therefore, we do not agree to further delays that are not aligned with this overall objective and intent. This application has now been pending for almost six months. As LMI stated during the teleconference, timely release of the over-bonded amount back to LMI will enable us to carry out a more robust reclamation program during Summer 2018. Without release of these funds in the near term, LMI will be hampered in its reclamation efforts and the overall reclamation timeline will be extended. Release of the funds will support both LMI and INAC's primary philosophical objective – to carry out an expeditious and responsible clean-up of the Lupin Mine site as soon as possible.

INAC has suggested that the NWB defer consideration of LMI's request for reduction until after it carries out an additional inspection at site. Respectfully, LMI does not agree this is appropriate in the circumstances, nor is it required by law or the legal framework provided for in the licence. It has also been determined it is not necessary as explained in detail by Golder.

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INAC inspectors attended the Lupin Mine site during July 2017 and observed reclamation work underway at site. INAC was also given ample notice of LMI's intention to request a reduction (in the form of a meeting between LMI and INAC and also in the form of a term and condition of the Type A Water Licence) and did not elect to schedule a timely visit to site prior to the end of season in October 2017. LMI filed third party evidence (in the form of the Golder Updated Closure Cost Estimate and Norwest's Geotechnical Inspection report) which confirms that the progressive reclamation work has been completed. In LMI's view, NWB should take all of this information into account and move forward with a decision to reduce reclamation security and should not require an additional "security inspection" (as suggested by INAC).

A reduction of the reclamation security required under Type A Water Licence 2AM-LUP1520 is supported by section 10 of the *Nunavut Waters Regulations*: specifically, the security is not to exceed the costs of abandonment of the undertaking, restoration of the site of the undertaking or the costs of any ongoing measures that may remain after abandonment. It is clear from the Updated Interim Closure and Restoration Plan and Updated Closure Cost Estimate that the current required amount far exceeds what is permitted under the *Nunavut Waters Regulations*. It is also clear from LMI's significant commitment to site reclamation that the company has no intention of abandoning the undertaking and that it will carry out reclamation of the site directly.

In addition, LMI requests that in fixing security under Type A Water Licence 2AM-LUP1520, the Board have regard to LMI's ability to pay the costs for restoration of the Lupin Mine, as well as LMI's past performance (per section 10(2) of the *Nunavut Waters Regulation*). LMI has demonstrated through its actions a concerted effort to work collaboratively with all stakeholders, including in particular INAC, and to working towards responsible progressive reclamation of the Lupin Mine. The most recent inspection reports issued by INAC inspectors are evidence of the success of these efforts.

LMI notes that an updated reclamation and closure plan will be filed with INAC and with the NWB very shortly. It is LMI's hope that this document, which will specify reductions for specific reclamation tasks, will provide the foundation for our continued collaborative efforts going forward and will reduce the need for protracted security bonding amendment processes in future. In the meantime, the immediate reduction of the reclamation bond required under 2AM-LUP1520 to reflect the actual current liability at site is the best step forward to support the mutual goals of all parties to the process.

We believe that all parties will benefit from a bond reduction, as we are all interested in the same outcome of appropriate and timely stewardship of assets in the North. From a public awareness perspective, this bond reduction also enables all parties to showcase that regulatory and governmental authorities in the North will work with corporate stakeholders to do the right thing, and enable efficient business decisions to be made within the applicable rigorous legal framework, and that they can be made when stakeholders work together in a comprehensive way.

In closing, LMI thanks the NWB and INAC for remaining committed to working together to ensure that reclamation of the Lupin Mine proceeds in an environmentally responsible and timely way.

Yours truly,

A handwritten signature in dark ink, reading "Belinda Labatte", with a long horizontal flourish extending to the right.

Belinda Labatte, CFA, MBA

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