

LUPIN MINES INCORPORATED

July 30, 2018

Nunavut Water Board
PO Box 119
Gjoa Haven, NU
X0A 1J0

Attention: Karén Kharatyan, Director of Technical Services

NWB Approval of Interim Closure and Restoration Plan; Type “A” Water Licence 2AM-LUP1520 and Corresponding Reductions in Reclamation Security

Dear Mr. Kharatyan,

Lupin Mines Incorporated (LMI) is writing to request an update on the status of the Nunavut Water Board (NWB)'s consideration of LMI's request to reduce reclamation security held under 2AM-LUP1520.

As set out in the NWB's decision of April 18, 2018 (“the Decision”), it was suggested that further reductions to reclamation security may be ordered following approval of the Interim Abandonment and Restoration Plan (IARP):

“Further, recognizing that substantive technical review comments have yet to be received from INAC in respect of the updated Interim Abandonment and Restoration Plan and updated Closure Cost Estimate (filed in October 2017 under Part C, Items 3 and 4 and Part I, Item 2 of the Licence) the Panel was not comfortable approving the Interim Abandonment and Restoration Plan, or basing reductions to security on the updated Closure Cost Estimate without receiving the benefit of INAC’s review and comments. Consequently, the Panel has directed that by way of this correspondence INAC and any interested parties are invited to review LMI’s submissions and provide their substantive comments on or before May 18, 2018. Shortly after comments are received, the NWB will decide whether or not to approve the updated Interim Abandonment and Restoration Plan.”

On May 18, 2018, Crown-Indigenous Relations and Northern Affairs Canada (CIRNAC, as it is now known) submitted its comments on the IARP, which concluded:

“In summary, review of the IARP finds no material concerns with the plan in its current state and expects that subject to the inclusion of the appropriate measures for mitigation of impacted soils and management of (PAG) waste rock, and the various updates as noted above, the final plan should be appropriate for closure and restoration of the site.”

Since the Decision was issued, LMI has also worked closely with CIRNAC to coordinate a meeting to review the Final Closure and Reclamation Plan (which was held on July 4 in Yellowknife) and to arrange a visit to the Lupin Mine site by CIRNAC and its consultants, which occurred on July 5. NWB representatives were also in attendance on July 4-5. As part of the site

visit, CIRNAC and its consultants had the opportunity to review the progressive reclamation work completed by LMI during 2016 and 2017, verify site conditions, and ask questions.

The NWB approved the IARP and Closure Cost Estimate on July 20, 2018.

As such, based on the criteria set out in the Decision, the NWB is now in a position to order further reductions in security.

While LMI appreciates the NWB's decision of April 18, 2018 to reduce the security held under Part C, Item of 2AM-LUP1520 by \$5.345 million, the project remains overbonded by approximately \$8.255 million and LMI has conducted progressive reclamation on the site since the acquisition of the asset. As the NWB is aware LMI is continuing to carry out progressive reclamation at site during 2018 and further reductions in the near term will continue to support timely reclamation of the Lupin Mine during 2018. LMI has requested that the NWB reduce the security held under 2AM-LUP1520 by CDN\$3.09 million, in accordance with the approved IARP and according to the work completed on the site to date as mentioned below. LMI has previously provided detailed technical evidence for the work on site for the following activities summarized below, to support the reduction request:

- Completed Dam M repairs;
- Cell 5 cover and minor repairs to tailings cover;
- Paste backfill building already removed;
- Hazardous waste removal;
- Contaminated soil removal to landfarm and updated ESA (submitted to the NWB); and
- No requirement for new landfarms in the future based on the approved ICRP

LMI's expectation is that the NWB will be in a position to issue a further decision respecting security reductions under 2AM-LUP1520 by the end of August 2018. LMI respectfully requests that timing for this decision be confirmed in writing to LMI. Should the NWB require any further information from LMI in respect of these considerations, please let us know. In closing, LMI wishes to express its appreciation for the NWB's ongoing consideration of LMI's security reduction request and the NWB's approval of the IARP and Closure Cost Estimate, and looks forward to continued participation in the process.

Sincerely,

"Karyn Lewis"

Karyn Lewis

Project Manager, Lupin Mine and Ulu Gold Project

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C.C. Belinda Labatte, Chief Development Officer, Mandalay Resources Corporation