

LUPIN MINES INCORPORATED

September 13, 2018

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

Attention: Karén Kharatyan, Director of Technical Services

Thank you for your letter dated August 16, 2018 providing a response to Lupin Mines Incorporated (LMI) request for an update regarding LMI's request to reduce reclamation security held under 2AM-LUP1520 (the Licence).

The position on which the reduction was requested is based on the assertion that LMI's reclamation activities, undertaken pursuant to the approved Interim Closure and Restoration Plan (ICRP), do not constitute a "work or activity" that is a "significant modification" to the original project (NUPPAA, s. 145). The *Nunavut Planning and Project Assessment Act* (NUPPAA) requires that any work or activity that would be a "significant modification" to an approved project will be subject to an assessment under Part 3 of NUPPAA. Therefore, since the amendment *is not* a "significant modification" within the meaning of NUPPAA, we believe that the NWB is well within their powers to make the reduction request, and we do not believe that LMI would be required to proceed through the pre-licensing stages with the Nunavut Planning Commission (NPC) or the Nunavut Impact Review Board (NIRB).

Respectfully and for clarity, we do not agree that LMI's request to reduce reclamation security as per our letter of July 30, 2018 triggers a requirement for LMI to proceed through the pre-licensing stages of the Nunavut Planning Commission or the Nunavut Impact Review Board.

The NWB has the jurisdiction pursuant to the *Nunavut Waters and Nunavut Surface Rights Act* to consider LMI's application for a reduction in reclamation security in accordance with the terms of LMI's Licence, namely upon LMI submitted submissions that include supporting evidence to justify our request which are part of the activities that are not deemed to be modifications.

We further note, importantly, that the NWB had already established a precedent with respect to the reduction to reclamation security included in Amendment No. 2 issued by the NWB on April 18, 2018 *where it did not require LMI to first proceed through the pre-licensing stages with the NPC or NIRB.*

LMI has included an itemized schedule and revised security estimate with our final closure application and renewal application showing the future progressive reclamation activities planned linked to the associated reductions to the reclamation security that would be

requested by LMI upon completion of the activities to reduce the reclamation security. However, LMI respectfully requests that the Board consider LMI's current request without requiring further submissions on potential future requests for reclamation given that LMI's Interim Abandonment and Restoration Plan (IARP) has been approved and the project remains overbonded by approximately \$8.255 million. As the NWB is aware, LMI is continuing to carry out progressive reclamation at site during 2018 and 2019 and further reductions in the near term will continue to support timely reclamation of the Lupin Mine during 2018 and 2019. This reduction enables the goals of the NWB and INAC to be met in terms of efficient and effective closure of the site.

In closing, LMI wishes to express its appreciation for the NWB's ongoing consideration of LMI's amendment security reduction request and looks forward to continued participation in the process.

We further request a conference call as soon as possible to clarify this matter and move forward.

Sincerely,

"Karyn Lewis"

Karyn Lewis

Project Manager, Lupin Mine and Ulu Gold Project

Mandalay Resources Corporation/Lupin Mines Incorporated/Bonito Capital Corp.

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