

# **LUPIN MINES INCORPORATED**

December 7, 2018

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

Attention: Karén Kharatyan, Director of Technical Services

## **Security Reclamation Reduction - 2AM-LUP1520 – December 11, 2018 Conference Call**

Dear Mr. Kharatyan,

Thank you for your follow up guidance of December 4, 2018 and for organizing the conference call in order to resolve the outstanding issues on this file and enable Lupin Mines Incorporated (LMI) request for reductions to its current reclamation security to move to the Nunavut Water Board (NWB) decision making stage.

In order to facilitate next week's discussion, LMI has prepared the enclosed response to the unresolved issues and items identified by CIRNAC in its most recent correspondence to the NWB of November 30, 2018. In order to put this information in context, LMI highlights the following.

LMI has been consistently working with KIA as well as stakeholders including NWB, CIRNAC, and the Minister's office to keep all parties apprised of our progress to move the Lupin Mine into full closure. It has also conveyed this to the Mining Association of Canada of which Mandalay Resources Inc. (owner of LMI) is a member organization. It is critical for LMI, as well as any enterprise working in the North, to be able to rely on predictable regulatory requirements with reliable timelines, in order to ensure that the necessary closure activities are not delayed and are carried out efficiently. A de-risked, responsible and successful closure is the ultimate objective of every party concerned.

To date, the uncertainty within the regulatory process has caused LMI significant challenges in achieving final closure and related planning. The extension requests by parties within this process in particular are causing excessive delays and challenging the company budgeting process. The budgeting process requires certainty that reasonable reduction requests will be granted in a timely way in order to commit funds to closure in 2019 that work with our current working capital and bank requirements. LMI stresses that these bond reductions are vital to following through with the efficient, economic closure activities of the site.

LMI has demonstrated that it is committed to the planned closure and will continue to carry out the planned closure activities through 2019. We would therefore request that forward looking bond reduction for work that LMI is committed to do be considered as it would relieve financial pressures and allow for the closure of the site to continue uninterrupted.

LMI is aware that there are several recent examples in Nunavut where proponents have been permitted to progressively increase reclamation bonds held under Type A Water Licences issued by the NWB, by permitting companies to increase the bond as development milestones are reached. LMI is asking the Board to follow a similar approach in this case. In the same way, LMI has committed to closure, and requests a path with more certainty that reclamation reductions will be granted in a timely manner, and similar to the recent decision on the Back River Type A Water Licence, to permit LMI to 'ramp down' its bond as work is completed.

LMI has shown good faith throughout this process and has worked hard to build a collaborative relationship with the parties. LMI's continuous dialogue with its engineers provides a scientific basis for every element of the ICRP and FCRP aspect. It acknowledges their work and the work of CIRNAC and NWB to review each aspect of the ICRP – and stands behind the activities completed to date as being excellent examples of thorough, scientifically based reclamation works where a bond reduction can be made without hesitation. The bond reduction for 2019 will enable the efficient closure of the Lupin mine, keep the momentum going with all parties, and will provide an example in Nunavut and the Canadian North of efficient, economic and responsible closure. Achieving this goal requires the full support of NWB and CIRNAC to assist us and reduce the bond to provide credit for work completed, and complete work now scheduled, and as requested by the NWB.

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

Sincerely,

*"Karyn Lewis"*

Karyn Lewis

Project Manager, Lupin Mine and Ulu Gold Project

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

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

Tel: 778-386-7340

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