

## LUPIN MINES INCORPORATED

### **OPENING REMARKS Karyn Lewis - Speaking Notes 2AM-LUP1520 – Lupin Gold Mine (Lupin) – Lupin Mines Incorporated (LMI) – Nunavut Water Board-hosted Telephone on December 11, 2018**

My name is Karyn Lewis, I am the Project Manager for the Lupin Gold Mine and on behalf of LMI I would like to thank the Nunavut Water Board for your follow up guidance of December 4, 2018 and for organizing this conference call in order to resolve the outstanding issues on this file, which will enable LMI's request for reductions to its current reclamation security to move to the Nunavut Water Board's (NWB) decision making stage. LMI submitted additional information on December 7, 2018 which I believe everyone in attendance was issued a copy through email and provided a link to on the NWB ftp site, yesterday morning for review, prior to this call.

To support LMI, the following people are on the teleconference:

- Dominic Duffy, P.Eng. – President and CEO – Mandalay Resources Corporation (owner of LMI)
- Belinda Labatte – Chief Development Officer – Mandalay Resources Corporation (owner of LMI)
- Ken Bocking, P.Eng. – Principal, Golder Associates Ltd.
- Dionne Filiatrault, P.Eng. – Project Manager (Regulatory Advisor), Golder Associates Ltd.
- Sara Wilkins, P.Geo. – Project Manager, Stantec
- Alvin Tong, P.Eng. - Geotechnical Engineer, Stantec
- Jim McKinley, PhD., P.Eng. – Environmental and Water Resources Engineer - Stantec
- David Hohnstein – LMI Consultant
- Christine Knowbel – Lawson Lundell, LMI External Legal Counsel

### **BACKGROUND**

As the NWB is aware, LMI has continued to carry out progressive reclamation at site during 2018 and further reductions of required security in the near term will continue to support the full closure of the Lupin Mine during 2019/2020. LMI has requested that the NWB reduce the amount of security held under Licence 2AM-LUP1520 by CDN\$3.2 million, as well as additional security reduction amounts for works completed since July 5, 2018 to date (to be discussed

during this teleconference) including guidance on the planned work to be completed in the first half of 2019, in the amount of \$3.1m. This totals C\$6.3m for bond reduction according to the specifications indicated by the NWB.

On November 30, 2018, CIRNAC provided comments on where they both agreed and disagreed with LMI's submission, as well as providing additional comments.

We look forward on this call to discussing and coming to resolution on any remaining items of concern under Agenda Item E.

In terms of background,

In October 2017, Golder Associates completed a new cost estimate for the Lupin, along with an updated Interim Closure and Reclamation Plan (ICRP) which was filed with the NWB as per Part C, Item 3 of water licence 2AM-LUP1520 for a security review. On April 18, 2018, the NWB issued a Board Decision to reduce the security held by the Minister, to CDN\$29,305,000 which was subsequently approved by the Minister on May 30, 2018. I won't go through the entire process timeline up to the Decision as it is detailed in the Decision. The Decision did provide for further reductions in reclamation security once it received the benefit of CIRNAC's review and comments. The Decision invited INAC (now CIRNAC) and any interested parties to review LMI's submissions and provide their substantive comments on or before May 18, 2018.

On May 18, 2018, CIRNAC submitted its comments on the ICRP. The NWB approved the IARP on July 20, 2018.

Since the Decision (Amendment No.2) was issued, LMI has worked closely with CIRNAC to coordinate a meeting to review the Draft Final Closure and Reclamation Plan (which was held on July 4 in Yellowknife) and carried out a site visit to the Lupin Mine site on July 5, 2018. NWB representatives were also in attendance on July 4-5 for the draft FCRP review and site visit. As part of the site visit, CIRNAC and its consultants had the opportunity to review the progressive reclamation work completed by LMI during 2016, 2017 and up to July 5, 2018, verify site conditions, and ask any questions for clarification.

On July 30, 2018, LMI requested guidance from the NWB on the next steps for a security reduction as a site visit had been completed by CIRNAC to verify site conditions.

On August 16, 2018, the NWB provided a guidance letter that allowed for LMI to submit the following information:

"LMI attach to their security amendment application an itemized schedule 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. "

On September 23, 2018 LMI provided a Progressive Reclamation Cost Update (PRCU), which included an itemized spreadsheet as per the NWB guidance. The NWB subsequently sent out PRCU to interested parties to provide comments by October 26, 2018.

CIRNAC provided comments on November 2, 2018. LMI subsequently provided their response to CIRNAC's comments on November 20, 2018. On November 20, 2018, the NWB requested CIRNAC to provide a response, indicating if LMI's submission satisfied CIRNAC comments.

On November 30, 2018, CIRNAC provided comments on where they both agreed and disagreed with LMI's submission, as well as providing additional comments.

LMI understands that CIRNAC is in agreement on the progressive reclamation reductions up to the site visit on July 5, 2018 but requested further information on items completed since the site visit and planned to be completed during the first half of 2019. LMI hopes that the additional documentation submitted on December 7, 2018 provided further clarification on these items and we look forward to discussing any remaining items of concern under Agenda Item E.

LMI would also like to note that the third party engineers working on the Lupin site on behalf of LMI have been visiting site regularly for at least the past couple years and our geotechnical engineer has been working at the Lupin Mine site since 2011. LMI believes the opinions and recommendations of its engineers should be preferred as they have the knowledge, historical background and expertise specific to the Lupin site.

**I will now pass it over to Belinda to speak.**

Thanks Karyn.

LMI has been consistently working with all stakeholders including NWB, CIRNAC, KIA, 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's budgeting process. As I have said on previous calls, everyone on this call has the same objectives which is

the responsible and expeditious closure of a mine site. From Mandalay's perspective, we need the full support of CIRNAC and NWB to get through this, and ramping down the bond is absolutely key.

The Company's budgeting process requires certainty that reasonable reduction requests will be granted in a timely manner in order to commit funds to closure activities in 2019 that work with our current working capital and bank requirements. These delays have caused difficulties in that process. 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 of the Lupin Mine and will continue to carry out the planned closure activities through 2019. Therefore we continue to request that forward looking bond reductions for work that LMI is committed to, be considered as it would relieve considerable 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 requirement as development milestones are reached. LMI is asking the Board to follow a similar approach in this case for reduction in the bond requirements.

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 the 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 under consideration will enable the efficient closure of the Lupin mine throughout 2019, 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 requirements, to provide credit for work completed, and complete work now scheduled, and as requested by the NWB.

**I will now past it over to Dominic to speak.**

**DOMINIC**

As CEO of Mandalay I appreciate the consideration provided for the bond reductions, as mentioned by Karyn and Belinda who spend extensive time on getting through this work, Mandalay and its board would like to move forward on the basis of achieving the bond reductions as requested, and the engineering work is sound to support the request. Mandalay

is using cash flow from operations and line of credit to fund closure and so forward looking reductions is key to our budget process.

**I will now past it back over to Karyn to close our remarks.**

**Thank you Belinda and Dominic.**

As LMI has stated a number of times during this process, site conditions have continued to improve at Lupin over the last three years. The progressive reclamation programs carried out to date and planned by LMI over the next year or two to achieve closed mine status will eliminate all environmental liability and move Lupin into the post closure monitoring phase of the mine life.

LMI does appreciate the NWB's decision of April 18, 2018 to reduce the security held under Part C, Item 3 of 2AM-LUP1520 by \$5.345 million, however the project still remains overbonded by approximately \$8.255 million. LMI has conducted progressive reclamation on the site since the acquisition of the asset and the security requirements should reflect this work and commitment.

As the NWB is aware, LMI has continued to carry out progressive reclamation at site during 2018 and further reductions of required security in the near term will continue to support the full closure of the Lupin Mine during 2019/2020. LMI has requested that the NWB reduce the amount of security held under Licence 2AM-LUP1520 by CDN\$3.2 million, as well additional security reduction amounts for works completed since July 5 2018 to date (to be discussed during this teleconference), and guidance on the process for additional security reduction for works that will be carried out between now and July 2019. It should be noted that all works will be carried out in accordance with the approved ICRP until such a time as the FCRP is approved.

The documents submitted to NWB and distributed to the parties yesterday, outline all the works completed at site to July 5, 2018, and from July 5, 2018 to date.

In closing, LMI wishes to express its appreciation for the NWB's ongoing consideration of LMI's security reduction request and looks forward to the NWB's decision on the further reduction in security amounts held under licence 2AM-LUP1520.

Thank you for your time and I look forward to our discussions today.