

LUPIN MINES INCORPORATED

April 4, 2018

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

Attention: Karen Kharatyan, A/Manager of Licensing

Dear Mr. Kharatyan:

Re: 2AM-LUP1520 – Lupin Gold Mine (Lupin) – Lupin Mines Incorporated (LMI) – Additional Information and Presentation submission for the Nunavut Water Board-hosted Telephone on April 6, 2018

LMI would like to thank the Nunavut Water Board (NWB) for the opportunity to provide additional information and presentation materials for the NWB Procedural Guidance And Invitation to NWB Hosted Conference Call to Discuss Lupin Mines Incorporated's Updated Interim Closure and Restoration Plan, Updated Closure Cost Estimate and Request for Reduced Reclamation Security (October 2017) letter dated March 26, 2018. As we have noted in previous discussions and correspondence with the NWB, this is a very important issue and we appreciate the NWB's timely consideration of our request for a reduction.

LMI will have the following people participating in the teleconference on April 6, 2018:

- Belinda Labatte – Chief Development Officer – Mandalay Resources Corporation (owner of LMI and "Company")
- Karyn Lewis – Project Manager, Lupin Gold Mine and Ulu Gold Project
- Ken Bocking – Principal, Golder Associates Ltd.
- Dionne Filiatrault – Project Manager, Golder Associates Ltd.
- Christine Kowbel – LMI External Legal Counsel

LMI would like request clarification as to Agenda Item G, Other Issues, Interim Closure and Reclamation Plan, as it appears this is covered under Items C and E.

76 Richmond Street East, Suite 330
Toronto, ON, M5C 1P1, Canada
Tel: 778-386-7340

To provide a better understanding of the differences between the Knight Piesold 2016 technical review (as accepted by the NWB Board), and Golder's 2017 cost estimate, Golder has prepared a cost-comparison/summary (see attached) to provide further clarification/evidence for Golder's cost estimate. The main points of difference are as follows:

- Golder's October 2017 cost estimate/IARP now includes progressive reclamation work not previously included in its 2015 estimate and not taken into consideration when KP completed their technical review.
- Some tasks, such as covering of Cell 5 are ongoing, and the unit costs used for cover placement are actual contracted third party costs.
- The cost estimate/IARP also now takes into consideration the updated Environmental Site Assessment that was conducted during 2017, which was filed with the Golder cost estimate and located on the NWB ftp site. The updated ESA provided better definition of the amounts of Petroleum Hydrocarbon Contaminated (PHC) soil, as well as chemically contaminated soil on the site. It also addressed requirements to update the geochemical characterization of waste rock on the site. The amount of PHC soil is now estimated at 35,200 m³, which is somewhat less than the 40,000 m³ that was previously estimated. The pending FCRP will propose the disposal of contaminated soils into underground mine workings and also the covering of most of the waste rock in place with a 1.0 m thick esker cover. Both actions will reduce overall reclamation costs. As the ESA reduces uncertainty, a corresponding reduction is appropriate.
- LMI has also provided letters to the NWB (filed on the NWB ftp site) with the cost estimate from Discovery (LMI's third party contractor carrying out progressive reclamation and water licence requirement along with maintaining the camp) and Summit Air (flight provider) that LMI does not and has not previously received preferred rates which was assumed by KP in their report. The camp and flight costs provided in the LMI's cost estimate are actual third party contractor costs. As LMI has evidence of actual unit costs, these should be preferred over theoretical estimates that are not specific to this area or project.
- LMI has tested the fuel at site in 2017, (as they did previously in 2016), and the results (filed on the NWB ftp site) show that the fuel is of good quality and usable for its intended purpose. As previously, LMI confirms this fuel is not committed to any third party and will be used for reclamation purposes at site. We continued to use the fuel during the 2017 season and will be using the fuel to complete final closure reclamation during 2018 and 2019.
- As previously stated, site conditions have continued to improve at Lupin over the last three years. The progressive reclamation program planned by LMI over the next two years to reclaim the site will eliminate most, if not all, environmental liability.

During 2017, LMI senior representatives have held various meetings¹ with INAC regarding the reassessment in reclamation security which supports a reduction in security, and also generated ideas for future reduction in security. Senior executives have also provided updates and timelines (see attached presentation) on site closure plans for the next two years and there have been discussions that we would be submitting for a reduction in Q4 2017, which was completed on the timeline discussed. LMI has advised the NWB and the KIA in separate meetings of the same.

INAC advised LMI management during a meeting on July 24, 2017 that they would be requesting an inspection of the site to validate site conditions for the security reduction being submitted in September 2017. In August 4, 2017², LMI provided an update to INAC and the NWB on the status of security and work plans for the site. Information obtained during the 2017 field season could be used to validate site conditions. The INAC Inspector, Eva Paul, carried out inspections under the Nunavut Waters and Nunavut Surface Rights Tribunal Act (NWNSRTA) and Territorial Lands Act at the Lupin Mine twice during the 2017 season (July and August). The Inspector filed her inspection reports as per the NWNSRTA with the NWB and there were no major concerns with the current site conditions.

LMI strongly believes that INAC were given ample notice and access to validate site conditions during the 2017 season, noting the Lupin Mine site was open until October 20, 2017. The last site inspection occurred on August 21, 2017, and there were no further visits from INAC after this, to further validate site conditions supporting the bond reduction. INAC's suggestion that the proposed reduction should be deferred until after a further inspection is therefore not appropriate.

As it currently stands, Lupin is grossly over-bonded. Once the over-bonding amount is refunded, LMI plans to reinvest the refund of security to implement reclamation activities at Lupin during 2018 and 2019 as per the Final Closure and Reclamation Plan, which will be submitted to the NWB during Q2/2018. LMI would like to note that while preparing the Final Closure and Reclamation Plan, with Golder Associates and Norwest Engineering, they have identified

1

Teleconferences (July 6 and November 21, 2017), in person meetings in Ottawa (June 12 and July 24, 2017) and in Iqaluit (September 5-6, 2017), and written correspondence (August 4, 2017)

² Posted to the NWB Public Registry at: [http://www.nwb-oen.ca/public/registry/2%20MINING%20MILLING/2A/2AM%20-%20Mining/2AMLUP1520%20LMI/3%20TECH/2%20SECURITY%20\(C\)/170804%20AM-LUP1520%20Letter%20to%20INAC-ILAE.pdf](http://www.nwb-oen.ca/public/registry/2%20MINING%20MILLING/2A/2AM%20-%20Mining/2AMLUP1520%20LMI/3%20TECH/2%20SECURITY%20(C)/170804%20AM-LUP1520%20Letter%20to%20INAC-ILAE.pdf)

additional areas that will further reduce the costs of the reclamation work we plan to carry out over the next two years.

In closing, LMI wishes to re-emphasize that it requests the Board to reduce the security required under Part C, of the Water Licence as soon as possible by the over-bonded amount. The project is currently over bonded by C\$13.6M, and the current situation is causing the Company strain on its working capital. LMI is of the view that releasing the funds will benefit reclamation efforts at Lupin as releasing those funds can enable LMI to put the funds to work at Lupin. Failure to release the funds will impact the availability of working capital to carry out reclamation activities going forward.

LMI will be submitting a Final Closure and Reclamation Plan to the NWB in Q2/2018 for approval and until approved will continue with its progressive reclamation plan starting at the beginning of May 2018. We respectfully submit that INAC's request to delay the process not be accepted on the basis of the facts herein, and that the NWB move forward with a decision on LMI's new security cost estimate so that we can work together as stakeholders interested in the same positive outcome.

We believe our submission of additional information (cost comparison attached) and presentation provides additional evidence to support a reduction in security as filed in October 2017 and will assist LMI in moving forward with reclaiming Lupin over the next two years. This would be consistent with the timelines discussed with various staff members at the NWB, INAC and KIA (see attached presentation) during 2017/2018 such that we can move to permanent reclamation in 2018 and 2019.

Yours truly,

Karyn Lewis

Karyn Lewis
Lupin Mines Incorporated
778-386-7340