

# LUPIN MINES INCORPORATED

July 7, 2021

Crown-Indigenous Relations and Northern Affairs Canada  
Land Administration  
P.O. Box 100  
IQALUIT, NU, X0A 0H0

Attention: Krista Pooley, Land Administrator Specialist – Major Projects

On behalf of Lupin Mines Incorporated (“LMI”) we acknowledge your letter dated June 7, 2021 requesting further information on the Closure and Reclamation Plan and the surface lease: Lease No. 76E/14-1-12 Sections 20 to 28.

LMI is currently carrying out the reclamation and closure of the Lupin Mine in compliance with Type A Water Licence No. 2AM-LUP2032 (the Type A Water Licence), and in accordance with the Updated Final Closure and Reclamation Plan approved by the Nunavut Water Board (NWB or the Board) under the Type A Water Licence, most recently renewed in 2020 and approved by Minister Vandal.

The Board approved the Updated Final Closure and Reclamation Plan in its correspondence of March 26, 2021. CIRNAC participated fully in the plan review process, and provided detailed comments which LMI filed written responses to. The NWB considered the items that CIRNAC lists as outstanding concerns respecting the Updated Final Closure and Reclamation Plan, as well as LMI's responses, and ultimately made a determination that “it finds the Plan functional and generally satisfying Licence requirements.”

LMI was given written assurances by CIRNAC when the Lease was renewed in 2018 that the document's that LMI submitted to the NWB would go “far beyond CIRNAC requirements” and is acceptable. While we recognize that the individual CIRNAC reviewers may not agree with the NWB's final determination, it is important that all parties respect the NWB jurisdiction established by the Nunavut Agreement over this matter. LMI is legally obligated to implement the Updated Final Closure and Reclamation Plan under the Type A Water Licence. It is neither practical nor feasible to develop more than one Closure and Reclamation Plan applicable to the Lupin Mine Site. For this reason LMI declines the suggestion that an updated plan should be submitted to CIRNAC directly. LMI has been diligent in following the regulatory process to ensure the safe and sustainable full closure and reclamation of the Lupin Mine site in accordance with the *Nunavut Waters and Nunavut Surface Rights Tribunal Act*. This effort has involved significant management oversight, expense and attention to detail by Mandalay Resources full complement of advisors including Karyn Lewis, Project Manager, Dominic Duffy, CEO, our contractors and advisors including: Golder, Stantec, Discovery, JDS, Lawson Lundell and others throughout the closure of the Lupin Mine. To date, Mandalay Resources has completed approximately C\$19m of reclamation works since 2019, notwithstanding the impacts of the COVID-19 pandemic on season of work on site in 2020/2021 and final demobilization in 2022. As a result of the established framework within the Licence for security

reductions, to date we have successfully reduced the risk of liability to the Crown by approximately C\$14.7m.

The ongoing concerted and focused effort to reclaim the Lupin Mine by LMI/Mandalay Resources is a positive example of a Canadian company carrying out a comprehensive reclamation program in the Arctic. Our understanding is that this project is one of the largest of its kind in Nunavut. We are fully committed to continue our efforts to complete all of the reclamation and closure tasks approved by the NWB under the Type A Water Licence. .

LMI recognizes that it will need to continue to work closely with all stakeholders, including CIRNAC, to successfully carry out this work. However, respectfully, CIRNAC's letter of June 7, 2021 is challenging what we believe has been a concerted effort for LMI to work in full cooperation with CIRNAC and the NWB. It is our hope that going forward, CIRNAC is committed to work in full coordination with LMI and Mandalay Resources , with the understanding that the NWB has made a final determination respecting closure and reclamation requirements for the Lupin Mine with its March 26, 2021 approval of the Updated Final Closure and Reclamation Plan. It is also noted that as a result of the negotiated agreement between CIRNAC and NWB on the security reduction milestones, included as conditions under the Type A Water Licence, we have a well defined process for closure, engineer sign-offs, CIRNAC inspections and then subsequent security reductions. There is no incentive for LMI to perform poorly in this process that was initiated in 2019, and is expected to be completed in the first quarter of 2022, when the post closure monitoring plan is set to begin.

While we have not further revised the Updated Final Closure and Reclamation Plan, we have endeavored to further address the items that you included in the June 7, 2021 letter and attach our fulsome response. Once you have had an opportunity to review these responses, we would like to schedule a conference call as soon as possible to ensure alignment on all matters going forward.

In closing, LMI wishes to express its appreciation for the NWB's ongoing support of the process and we request the collaboration and cooperation of CIRNAC going forward.

Sincerely,

*Dominic Duffy*

President and CEO

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

C.C. Karyn Lewis, Project Manager, LMI  
 Belinda Labatte, Chief Development Officer, Mandalay Resources  
 Erik Allain, Director, Lands, CIRNAC  
 Tracey McCaie, Manager, Lands Administration, CIRNAC  
 Sarah Forte, Water Management Specialist, Water Resources, CIRNAC  
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