BONITO CAPITAL CORP.

March 31, 2015

Phyllis Beaulieu
Manager of Licensing
Nunavut Water Board
P.O. Box 119
Gjoa Haven, NU X0B 1J0

By email (phyllis.beaulieu@nwb-oen.ca)

Re: 2014 Annual Report: Ulu Advanced Exploration Project Type B Water Licence (2BM-ULU0914).

Dear Ms. Beaulieu,

Bonito Capital Corp (BCC) is pleased to submit the attached 2014 Annual Report for the Ulu Advanced Exploration Project (Project) in accordance with Type B water licence 2BM-ULU0914 Part B, Item 8.

On May 30, 2014 BCC submitted a Water Licence Renewal Application. The water licence expired on August 31, 2014. The water licence renewal application is currently in the final stages and BCC looks forward to receiving a renewed licence in the near future.

Please note that there was only limited Project activity in 2014 including one day-trip and a 15-day trip for on-going care and maintenance of facilities. Due to the short duration of activity and limited number of persons on site the sewage treatment plant was not used during this period. Pacto toilets were brought in and the graywater was contained in the retention pond. There was 15.1m^3 of domestic water consumed and about 15.1m^3 of graywater produced.

The attached table and information summary address the 2014 annual reporting requirements.

Should you have any questions please contact the undersigned.

Yours truly,

"Karyn Lewis"

Karyn Lewis
Executive Assistant

Executive Summary - English

Bonito Capital Corp (BCC) submitted its 2014 Annual Report to the Nunavut Water Board for the Ulu Advanced Exploration Project (Project) in accordance with Type B water licence 2BM-ULU0914 Part B, Item 8.

On May 30, 2014 BCC submitted a Water Licence Renewal Application. The water licence expired on August 31, 2014. The water licence renewal application is currently in the final stages and BCC looks forward to receiving a renewed licence in the near future.

There was only limited Project activity in 2014 including one day-trip and a 15-day trip for on-going care and maintenance of facilities. Due to the short duration of activity and limited number of persons on site the sewage treatment plant was not used during this period. Pacto toilets were brought in and the graywater was contained in the retention pond. There was 15.1m^3 of domestic water consumed and about 15.1m^3 of graywater produced.

Included in the annual report is a table and information summary addressing the 2014 annual reporting requirements.

2BM-ULU0914 2014 Annual Reporting: Part B, Item 8 Requirement	
The Licensee shall file an Annual Report on the appurtenant undertaking with the Board no later than March 31st of the year following the calendar year being reported, which shall contain the following information:	
Requirement	**Licensee Response**
a. tabular summaries and analysis of all data collected under the Monitoring Program, Part J;	No water intake or discharge in 2014. No water samples collected.
b. a summary of construction work, modification and/or major maintenance work carried out on the Water Supply Facilities and Sewage Treatment Facility, including all associated structures, and an outline of any work anticipated for the next year;	No construction, modification and/or major maintenance was carried out this year on the Water Supply Facilities and Sewage Treatment Facility.
c. results from acid generating samples collected on ore and waste rock as referred to in Part D, Item 10.	No samples were collected from ore or waste rock and tested for acid generation in 2014.
d. a list of unauthorized discharges and follow-up action taken;	No unauthorized discharges in 2014.
e. updates or revisions to the Waste Management Plan, Spill Contingency Plan, Abandonment and Restoration Plan, Operations and Maintenance Plan and Care and Maintenance Plan. Revisions may be subject to Board approval;	Updates to plans will be provided as necessary based on changes to terms and conditions included in the renewed water licence.
f. an updated estimate of the restoration liability, as required under Part B, Item 5 and 6, based upon the results of the restoration research, project development monitoring, and any modifications to the site plan;	An updated cost estimate was submitted to the NWB on December 31, 2014 as part of the 2014 water licence renewal process.
g. a brief description of follow-up action taken to address concerns detailed in inspection and compliance reports prepared by the Inspector;	Water Resource Inspector was at site on July 12, 2014 to complete a site visit. There was discussions/correspondence between the Inspector and BCC to address the Inspectors concerns which are located on the NWB ftp site (as well as attached in Appendix A).
h. a summary of hazardous materials shipped out, the treatment received, and the location of the approved treatment facility to which they were sent;	No hazardous waste was removed from site.

i. a summary of any abandonment and restoration work completed during the year and an outline of any work anticipated for the next year;	See summary below of August/September 2014 site visit to carry out care and maintenance activities including backhaul of empty barrels from site.
j. a summary of any specific studies or reports requested by the Board, and a brief description of any future studies planned or proposed;	2014 Geotechnical Inspection Report and cover letter were submitted October 21, 2014. (Appendix B) There are no issues requiring immediate attention identified in the report. The exposed and/or damaged liners will be covered and/or repaired in the 2015 summer season. The cribbing at Camp 3 tank farm will be repaired prior to any fuel delivery to the farm. Currently all the tanks in Camp 3 tank farm are empty. As recommended, repairs and maintenance on the liner in the mine sump will be completed prior to utilize it. The inspection schedule has been a topic of discussion for some time. It is anticipated that the inspection needs during care and maintenance will be addressed in the renewed water licence.
k. a public consultation/participation report describing consultation with local organizations and residents of the nearby communities, if any were conducted;	BCC meet with the KIA in Kugluktuk on February 6, 2015.
l. any other details on water use or waste disposal requested by the Board by November 1st of the year being reported.	No additional information was requested by the Board.

Summary of 2014 Care and Maintenance Site Visits

The following site visits, as documented in the monthly reports submitted to the NWB, were carried out by the Licensee in 2014 to ensure the site is safe and that environmental risks are minimized during the care and maintenance of the Project site:

August 20th, 2014

A site and a geotechnical inspection were completed on Aug 20th by Alvin Tong and George Friesen. There were no significant issues observed. The geotechnical report was submitted on October 21, 2014 (see attached Appendix B).

August 22-September5, 2014

The site was occupied from August 22nd to September 5th by Discovery Mining Services and WPC Resources personnel. In addition to operating the camp DMS conducted the following:

- Removed many of the empty barrels from site – 59 barrels in total,
- Relocated barrels of contaminated soils from the mine storage pad to the lined barrel storage next to the camp fuel farm, and
- Placed all barrels containing fuel and lubricants in the lined barrel storage next the camp fuel farm.

WPC Resources were on site conducting a geological assessment of the Ulu property by carrying out field investigations, reviewing technical information, and collecting soil and chip samples.

Due to the short duration of activity and limited number of persons on site the sewage treatment plant was not used during this period. Pacto toilets were brought in and the graywater was contained in the retention pond.

There was 15.1m^3 of domestic water consumed and about 15.1m^3 of graywater produced.

Appendix A

Compilation of Inspection Reports, Responses and Photos

Aboriginal Affairs and Northern Development Canada | Affaires autochtones et Développement du Nord Canada

WATER LICENCE INSPECTION FORM

☒ Original ☐ Follow-Up Report

Licensee	Licensee Representative
LMI / Elgin Mining	—
Licence No. / Expiry	**Representative's Title**
2BM-ULU0914	—
Land / Other Authorizations	**Land / Other Authorizations**
Date of Inspection	**Inspector**
12 July 2014	Eva Paul

Activities Inspected

☒ Camp ☐ Drilling ☐ Mining ☐ Construction ☐ Reclamation ☒ Fuel Storage
☐ Roads/Hauling ☒ Other: WASTE ☐ Other:

Conditions: A - Acceptable C - Concern U - Unacceptable NA – Not Applicable NI – Not Inspected

Water Use	Condition	Comment	Site Conditions	Condition	Comment	Haz/Mat Management	Condition	Comment
Intake/Screen	NA		Water Management Structures	A		Storage	U	2
Flow Measure. Device	NA		Culverts / Bridges	A		Spills	U	2
Source:	NA		Drainage	A		Spill Plan	A	2
Water Use:	NA		Erosion / Sediment	A				
Recirculation (y / n)	NA		Mitigation Measures	U	2	**Administrative**		
			Reclamation Activities	NI		Records	NI	
			Materials Storage	A		Reports	U	4
Waste Disposal			Signage	A		Plans	A	
Waste Water	NI					Notifications	NI	
Solid Waste	C	1.	**Monitoring**			**Other**		
Hazardous Waste	U	2	Sample Collection / Analysis	U	3			

**The number in the comments field will correspond with specific comments provided below.*

Samples taken by Inspector:	Location(s):
☐ Yes ☒ No	

SECTION 1 ☒ Comments (s.1+2) ☒ Non-Compliance with Act or Licence (s.2) ☒ Action Required (s.3)

1. It does not appear that waste was backhauled since 2012. No records were provided in the annual report.

2. While the 2013 Annual Report indicates that drums and waste were addressed as per the 2013 Inspection report, however, I found hazardous waste in numerous areas without containment. It was not removed as indicated in the annual report. I found leaking barrels of hazardous waste on the mine waste pad, at the barrel storage area beside the tank farm, amid the waste piles east of the helipad and barrels at the airstrip which should have been removed in 2013. The waste management plan and the Care and Maintenance Plan indicate that hazardous materials are to be stored in containment until backhaul. The Spill Plan is not being followed, as spills are occuring which are not being addressed. Proper mitigation for spills is not being employed by lack of containment, monitoring, and clean-up. Spilled fuel is migrating out of the storage pad and down-slope.

Licensee or Representative	Inspector's Name
	EVA PAUL
Signature	**Signature**
Date	**Date**
	July 14, 2014

Office Use Only: Follow-up report to be issued by Inspector ☐ Yes ☐ No

Canada

White Copy: Inspector Yellow Copy: Licensee or Representative Pink Copy: Nunavut Water Board

Aboriginal Affairs and Northern Development Canada | Affaires autochtones et Développement du Nord Canada

Licensee	Licensee Representative
LMI / Elgin Mining	-
Licence No. / Expiry	**Representative's Title**
2BM-ULU0914	-
Date of Inspection	**Inspector**
12 July 2014	Eva Paul

SECTION 2 ☒ Comments (s.2) ☒ Non-Compliance with Act or Licence (s.2) ☐ Action Required (s.__)

3. Monitoring is not occurring, contrary to the C+M Plan and the licence. Full monitoring is still required as outlined in the licence. Monthly reports are inadequate.

4. Annual Report was deficient in details. No numbers were provided with respect to waste backhaul or work anticipated for 2014. Inspector's concerns of 2012 and 2013 have not been addressed. Monthly reports should include monitoring results, not 'we are in C+M'.

Non-Compliance:

Part B. 13. Implementation of Plans as approved:
Care and Maintenance Plan
Spill Contingency Plan
Waste Management Plan.

Part E. 3. Secondary Containment for all hazardous materials and fuel storage

Part E. 6. Employment of the Spill Contingency Plan, reporting of spills, clean up of spills.

Part J. 1. Implementation of Monitoring Program.

SECTION 3 ☐ Comments (s.__) ☐ Non-Compliance with Act or Licence (s.__) ☒ Action Required (s.3)

(1) All hazardous materials at site are to be placed within secondary containment. Open barrels are to be covered also, to prevent creation of contaminated water. -Sept 30, 2014-

(2) Spills around site are to be addressed as per the Spill Plan. Contaminated soil is to be backhauled. -Sept 30, 2014-

(3) Monthly monitoring during snow-free season is to be implemented (including freshet). This includes monitoring of waste fuel, as well as implementing the Monitoring Program as per the licence. - Effective Immediately -

(4) All new hazardous waste is to be backhauled in the year it is created to prevent the accumulation of waste to unmanageable levels.

(5) A report with the details of (1) & (2) above is to be submitted to the Inspector by October 31, 2014

Licensee or Representative	Inspector's Name
	EVA PAUL
Signature	**Signature**
Date	**Date**
	July 14, 2014

Canada

White Copy: Inspector's Copy | Yellow Copy: Licensee or Representative | Pink Copy: Nunavut Water Board

PHOTOS OF INSPECTION: JULY 12 2014

Figure 1. Ulu site; seen from the air July 12 2014.

Figure 2. Barrels of waste noted on Mine Waste Pad.

Figure 3. Barrels of waste on Mine Waste Pad. Staining noted.

Figure 4. Barrels at Mine Waste Pad. Hazardous waste noted, with no containment.

Figure 5. Contents of barrels at Mine Waste Pad consistent with hazardous waste.

Figure 6. Photo of helipad area and waste piles, facing west.

Figure 7. Barrels of unknown content found in waste piles to east of helipad.

Figure 8. Staining noted from barrels to east of helipad.

Figure 9. Fuel/barrel storage area to east of tank farm. Note staining running downhill from the lined area.

Figure 10. Several stains noted in the barrel storage area.

Figure 11. Airstrip apron. Yellow berm contains waste for backhaul. Other visible barrels are empties.

Figure 12. Yellow berm contains waste, including a punctured barrel.

Figure 13. Opposite airstrip apron has full barrels of fuel, with no containment.

Figure 14. Caps on indicate full barrels.

Figure 15. Barrels noted on pallets (without containment) on the roadside near the airstrip.

From:	Eva Paul
To:	Patrick Downey
Cc:	Erik Allain; George Friesen; Karyn Lewis; PhyllisBeaulieu
Subject:	RE: 2BM-ULU0914 - Follow-up on July 12 Inspection
Date:	January-12-15 8:18:53 AM

Hi Patrick,
Sorry, I was out-of-country for awhile and am still catching up on the backlog. Both e-mails were received, and I will be taking a look at Ulu this week.
Regards,
Eva

>>> Patrick Downey <pdowney@elginmining.com> 12/15/2014 4:41 PM >>>
Hi Eva
Could you please confirm receipt of the email I sent below.
Kind Regards
Patrick

From: Patrick Downey
Sent: Tuesday, December 09, 2014 11:31 AM
To: Eva Paul
Cc: Erik Allain; George Friesen; Karyn Lewis; Phyllis Beaulieu
Subject: RE: 2BM-ULU0914 - Follow-up on July 12 Inspection

Eva
I did respond to your email in detail on July 30th - see below -so not sure why you did not get this. As you are aware I also sent a separate response to your report on July 29th with a copy of a report detailing work completed at Ulu in 2013.
Since I didn't get a response to either of the above i had assumed that we had answered your concerns and I was not sure what you wanted further.
I believe that my responses of July 29th and 30th answered the items in your report.
Furthermore as a follow up since then we were able to get one last flight in before the snow flew at Ulu (Which was early this year) and we did some further work as follows:
All the fuel is in now within the containment area. All the wood scraps/rubbish that was on the runway has been removed . All barrels have been moved to the containment area.
A total of 59 empty barrels were backhauled to Yellowknife. Kevin at Discovery will have the manifests if you need these.
The eleven barrels that were in the waste dump were moved to the containment area.
A number of oil spills were cleared up. The material is now held in six barrels that have been put into the containment area. We had planned some more work on this area but with the early snow we got what we could get done.
The ten barrels in the photos that were along the road by the airport have been moved to the containment area.
Since I had not gotten a response to my July 29th and 30th emails we were going to include the above within our annual report.
I hope this helps. Let me know if you need anything further. I also hope that you see that we did respond to your inquiries asap per the email chain below.
On another note I hope you have a great festive season and all the best for 2015.
Kind Regards
patrick

From: Patrick Downey
Sent: Thursday, July 31, 2014 11:39 AM
To: Eva Paul; George Friesen
Subject: RE: Photos of Ulu

Dear Eva

I spoke with George and Discovery Mining Services(DMS), who did the work at Ulu for Elgin in late 2013 and I also looked at the report from you in 2013 to determine what was requested and what we accomplished.

Based on this there are certain items and issues in the 2014 report that were not identified in 2013 and which we therefore did not instruct DMS to carry out and there are other items that we did not complete.

Our assessment is as follows;

Actions required in 2013 –

1) All fuel to be stored in secondary containment, and covered to prevent water accumulation in the containment during periods of inactivity – **done**

2) Hazardous waste to be backhauled –**not enough room on plane for all the waste. The area where the hazardous waste referred to in your 2014 trip report at the Mine Waste Pad was not photographed or discussed in the 2013 report and DMS therefore did not work here as we now assume they were referring only to the hazardous waste photographed and discussed in the 2013 report by the rock pile area and DMS did move those to the lined berm – so we believe there is hazardous waste at the Mine Waste Pad and the Waste Piles east of the helipad, so we plan to deal with those items this year. The barrels you refer to that are at the airstrip I believe are all empty and the leak/spill were addressed by DMS. If there are any barrels with fuel they will be moved to the fuel storage area. The barrels at the barrel storage area beside the tank farm were deemed ok but your 2014 report indicate that there was leaks, which we will follow up on. Your report states we are not cleaning up our spills, which we will also follow up on as that was also supposed to have been completed , however our understanding is that the 2013 report only the identified the spill at airstrip and this was addressed last year.**

3) (See note last year from George below).

4) Sewage at the airstrip to be backhauled in 2013, and as much hazardous waste as possible removed from site – **sewage was backhauled and other hazardous waste was moved to the lined berm**

5) MMG berm is to be repaired or replaced, or MMG fuel removed from site - **MMG removed their fuel**

6) Spill at the airstrip to be cleaned up – **see below – in George 's progress report to you it states that DMS scooped it up and put it in barrels – at the airstrip partial drums were put**

in a covered berm and all the empties are together – these are still there ready to be backhauled once we have a plane going in, as the site is too remote from the airstrip.

7) Items 1-5 to be done by Sept 30, 2013 – **done**

8) Monitoring – **We have requested for less monitoring in our water license renewal and included in our updated care and maintenance plan.**

9) Timeline to address progressive reclamation of drill sites to be prepared. – **we believe that this work was commenced.**

You note in the 2014 report that we stated in our annual report that drums and waste were addressed but then you found numerous areas with leaks and not contained. You have also stated the waste was not removed as stated in our annual report. Our annual report did NOT state anything was removed other than the barrels of sewage. You have also stated that we did not provide numbers in the annual report in respect to the amount of waste backhauled. But as requested by you in our email dated September 30, 2013 – we emailed the Discovery report (that I resent you yesterday) and it states 4 barrels of sewage, George also provided a progress report in the same email. Perhaps we should have provided more detail in the annual report- please advise.

I hope this helps and we will be following up on other items/issues mentioned in the 2014 report.

Here is a portion what our annual report says:

A crew of 3 people were on site to carry out care and maintenance activities and address issues raised on the July 5, 2013 Inspector's report. Activities included:
· Clean up of the drums at the airstrip and placement in a covered berm.
· Clean up of the drums in the berm refuelling area.
· Clean up of the drums in the tank farm area.
· Relocate drums that were by the rock pile back within the tank farm area.
· Backhaul drums for disposal off site with KBL (waste management company)

Here is George's progress report dated September 30, 2013 (I believe you also received the Discovery report):

"Hi Eva,

I just wanted to update you on the progress we made at the Ulu site. A crew of 3 persons of Discovery Mining Services went in to site on September 12th and 13th to deal with the deficiencies that you had listed in your report from your inspection on July 5th, 2013. With some effort, they also managed to rescue the pickup truck. DMS report is attached.

The action items, 1 to 5, have been addressed as follows.

1. All fuel is to be stored in secondary containment, and covered to prevent water accumulation in the containment during periods of inactivity.
   All fuel is now stored in the secondary containment facilities.

2. Hazardous waste is to be backhauled.
   All the barrels on the rock pad were moved to the hazardous storage area. We also spoke with George and DMS and neither were aware about all the contaminated soils that are piled up on the rock pad. Had we known we would have organised to do something with them in 2013. We will most definitely organize something this year, and also test these barrels as we truly don't know what they contain . Once we have results Once we get results we will determine what permission is required to dispose of the potential contaminated soils .

3. Sewage at the airstrip is to be backhauled in 2013, and as much hazardous waste as possible removed from site.
   Sewage at the airstrip was backhauled from site and delivered to KBL in Yellowknife for disposal.

4. MMG berm is to be repaired or replaced, or MMG fuel removed from site.
   MMG has removed their berm, all the fuel, and empty barrels from site.

5. Spill at the airstrip is to be cleaned up as per Spill Contingency Plan.
   The contaminated gravel was shoveled up into a barrel and placed in the hazardous storage area. "

From: Eva Paul [mailto:evarochelle28@gmail.com]
Sent: Tuesday, July 29, 2014 1:43 PM
To: Patrick Downey; George Friesen
Subject: Photos of Ulu

Hi Patrick,
As indicated, I'm sending you photos of the Ulu site; see attached. I will also forward to the NWB to accompany the inspection report.

Regards,

--
Eva

From: Eva Paul [Eva.Paul@aandc-aadnc.gc.ca]
Sent: Tuesday, December 09, 2014 8:02 AM
To: Patrick Downey
Cc: Erik Allain; George Friesen; Karyn Lewis; Phyllis Beaulieu
Subject: 2BM-ULU0914 - Follow-up on July 12 Inspection

Hi Patrick,

On July 12 2014 I conducted a compliance inspection at Ulu, and the report was given on July 15 to George during the Lupin Inspection. The report was subsequently e-mailed to you on July 26. I have not received any follow-up to that report. A report was required of Bonito, demonstrating that the work be completed to bring the licence into compliance, by October 31 2014. Please confirm whether the work was completed and submit the outstanding information by December 31, 2014.

Regards,

Eva Paul
Water Resources Officer | Agent des ressources en eau
Aboriginal Affairs and Northern Development Canada | Affaires autochtones et Développement du Nord Canada
Nunavut Regional Office | Bureau régional du Nunavut
Building 969, PO Box 2200 | Édifice 969, CP 2200
Iqaluit, NU X0A 0H0

Phone | Tél. : 867-975-4548
Cell | Mobile: 867-222-6490
Fax | Téléc. : 867-979-6445
Eva.Paul@aandc-aadnc.gc.ca

Appendix B

Geotechnical Report and Cover Letter

Bonito Capital Corp.

(a subsidiary of Elgin Mining Inc.)

20 October 2014

Ms. Phyllis Beaulieu
Manager of Licensing
Nunavut Water Board
P.O. Box 119
Gjoa Haven, NU
X0B 1J0

Dear Ms. Beaulieu

RE: 2014 Annual Geotechnical Inspection – Ulu Gold Project, Nunavut
Ulu Gold Project, Nunavut, License Number 2BM-ULU0914

Please find attached 2014 Geotechnical Inspection Report, completed by SRK Consulting, to fulfil part D, item 10 of our water licence.

SRK states that the facilities are in good geotechnical condition and makes the following maintenance and repair recommendations:

- Cover all exposed liners and leading edges with granular fill for overliner protection.
- Repair all damaged liners in the fuel storage.
- Replace the broken cribbing at Camp 3 and re-level the fuel tank or decommission the tank.
- Repairs and perform maintenance on the liner in the mine sump shall be completed prior to utilizing it.
- BCC may wish to submit a request to the Nunavut Water Board for an amendment to the inspection schedule as there is no mining or exploration activity. The proposed inspection schedule would consist of bi-weekly inspections during May and June freshet, monthly inspections from July to October of the fuel containments and mine sump, and an annual inspection of the storage pad when the site is in care and maintenance status. The inspection schedule stated in the Part D. Item 8.e of Water Licence is:

  "*Inspections of the Retention Pond and structures are carried out weekly during periods of open water and records kept of these inspections for review upon request of an Inspector."*

AT/PMH

There are no issues requiring immediate attention identified in the report. The exposed and/or damaged liners will be covered and/or repaired in the 2015 summer season.

The cribbing at Camp 3 tank farm will be repaired prior to any fuel delivery to the farm. Currently all the tanks in Camp 3 tank farm are empty.

As recommended, repairs and maintenance on the liner in the mine sump will be completed prior to utilize it.

Bonito Capital Corp.
#1204-700 West Pender St.
Vancouver, BC Canada V6C 1G8
Phone: +1 (604) 682.3366 Fax: +1 (604) 682.3363

The inspection schedule has been a topic of discussion for some time. It is anticipated that the inspection needs during care and maintenance will be addressed in the renewed water licence.

If you have any questions regarding the above, please do not hesitate to contact me.

Sincerely,
Bonito Capital Corp.

Patrick Downey

2014 Annual Geotechnical Inspection of Selected Structures − Ulu Gold Project, Nunavut

Prepared for

Bonito Capital Corporation

Prepared by

SRK Consulting (Canada) Inc.
1CB027.001
October 2014

2014 Annual Geotechnical Inspection of Selected Structures − Ulu Gold Project, Nunavut

October 2014

Prepared for

Bonito Capital Corporation
201 - 750 West Pender Street
Vancouver, BC V6C 2T8

Prepared by

SRK Consulting (Canada) Inc.
2200–1066 West Hastings Street
Vancouver, BC V6E 3X2
Canada

Project No: 1CB027.001

File Name: 1CB027.001_2014 Ulu Annual Geotechnical Inspection_PMH_AT_20141010

srk consulting

Table of Contents

List of Figures

1 Introduction and Scope of Work

The Ulu Gold Project is an advanced exploration project that is currently in care and maintenance status under Nunavut Water Licence 2BM-ULU0914 by Bonito Capital Corp (BCC), a wholly owned subsidiary of Elgin Mining Inc. (NWB 2011). The project is situated in the Kitikmeot region of Nunavut, with the underground exploration site located at UTM 12W 501,167E 7,421,069N. This is about 12 km north of Hood River and 150 km north of Lupin Mine, in the treeless arctic tundra where rock and glacial features dominate the landscape. Figure 1.1 shows the general location of the Ulu Gold Project.

Part D.10 of the water license states:

> "*An inspection of the earthworks, geological regime, and the hydrological regime of the Project is to be carried out by a Geotechnical Engineer prior to the recommencement of on-site activities and annually thereafter. The Geotechnical Engineer's report shall be submitted to the Board within sixty (60) days of the inspection, with a covering letter from the Licensee outlining an implementation plan to respond to the Engineer's recommendations."*

Mr. George Friesen, Manager of Technical Services for BCC, retained SRK Consulting (Canada) Inc. to conduct the 2014 geotechnical site inspection in fulfillment of these regulatory requirements. Specifically, SRK scope of work was to inspect the following structures:

- Ulu Gold Project main tank farm containment berm;
- Day fuel tank containment berm;
- Camp 3 fuel tank farm containment berm;
- Mine sump;
- Ore storage pad; and
- Portal laydown pad.

The inspection focuses on the geotechnical aspects of the structures listed above. This report summarizes SRK's observations made during the 2014 site inspection and provides recommendations for remediation. The report does not include any commentary on fuel storage, fuel and waste management practices. Generally, the 2014 inspection found the mine facilities in good condition with some liner damage and erosion at most structures. SRK noted the Camp 3 fuel tank farm would require some attention.

srk consulting	**Bonito Capital Corp.**	Ulu Project
		Location Plan
SRK JOB NO.: 1CL008.000	Bonito Capital Corp.	DATE: October 2014 / APPROVED: AT / FIGURE: 1.1
FILE NAME: Ulu-SiteFacil-utm-12_20141010.dwg		

Z:\1040_AutoCAD\Ulu-SiteFacil-utm-12_20141010.dwg

2 Site Conditions

2.1 Site History

Echo Bay Mines Ltd. (EBM) purchased the Ulu Gold Project site lease from BHP Minerals in 1995. Underground development was initiated in 1996. The mining operation was suspended in 1997. In January 2003, Kinross Gold Corporation acquired EBM through a merger of companies. Following this, Wolfden Resources Inc. purchased a 100% interest in Ulu from Kinross in December 2003. Wolfden reopened the mine portal in May 2005 for grade and resource confirmation. Because of a safety concern, work in the mine was suspended once again and Ulu was put into care and maintenance in the summer of 2006.

Zinifex Canada Inc. purchased Wolfden in autumn 2007 and took over Ulu and other assets. In June 2008, Zinifex merged with Oxiana Ltd., forming OZ Minerals, which was purchased by China Minmetals to become MMG Resource Inc. In July 2011 BCC, a wholly owned indirect subsidiary of Elgin Mining Inc. purchased the site from MMG. An annual report was completed by BCC for 2011 summarizing site conditions (BCC 2012) and an annual geotechnical inspection was completed by TBT Engineering in 2011 (TBT 2011).

2.2 Site Infrastructures

Year round access to the site is by aircraft only. The Ulu Gold Project site (Figure 2.1) consists of three major areas: the Ulu Camp, airstrip, and Camp 3. The facilities at the Ulu Camp (Figure 2.2) consist of a 60-man camp, a vehicle repair shop, powerhouse, warehouse, cold storage, and office. The site also houses a fuel tank farm, day use fuel tank, fresh water and sewage systems, garbage incinerator, ore storage area, waste rock pad, mine portal and explosive magazines. All mine production was intended to be transported via an ice road during the winter months to the Lupin Mine for processing. No processing facility was constructed at Ulu. The Camp 3 area has a fuel tank farm and a vehicle repair shop.

The tank farm at Camp 3 consists of two 1,324,895 litre tanks and six 52,995 litre tanks; these are currently not in use. At the Ulu site, fuel is stored in five 52,995 litre tanks in the fuel tank farm and one an 8,800 litre day use tank.

Historically, P40 and P50 grade fuels were stored in the remote tank farm at Camp 3 until it was transferred to the Ulu camp as required. The Camp 3 fuel facility does not currently contain fuel. P50 grade fuel is currently stored in the Ulu site fuel tank farm.

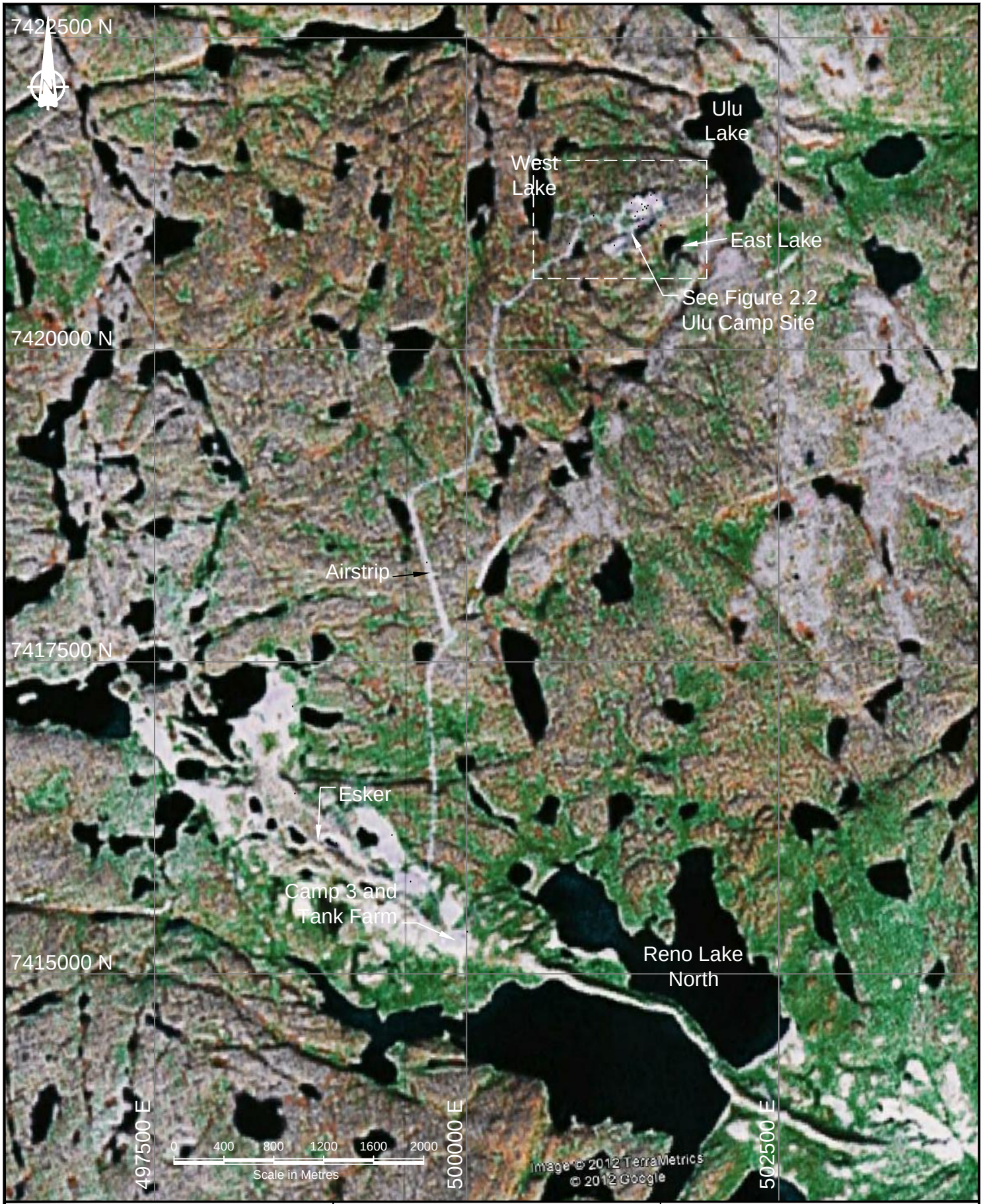
2.3 Climate

There is no weather station on site to actively record data. The nearest recording station is at Lupin Mine site about 150 km south of Ulu. Generally, the area is characterized by high arctic climate with severe winter and mild summers. The overall temperature ranges from approximately –50°C in winter to 30°C in summer. Permafrost is found in and around the site and typically extends to several hundred metres (NWB 2009). The annual mean precipitation is assumed to be between 300 mm to 350 mm.

2.4 Site Geology

The BGC Engineering 2007 Annual Inspection Report provided a summary of geology on the Ulu Gold Project and is summarized as follows:

> The Ulu claims are located within the High Lake Volcanic Belt of the Archean Slave Structural province. This geological province consists of basement gneisses overlaid by greywacke turbidite and basalt in thick sequences. The High lake Volcanic Belt is part of such a sequence and consists of a north-south trending volcanic and sedimentary sequence, enclosed by later Archean granitoid rocks.
>
> The geology of the Ulu property consists of a sequence of folded mafic volcanic, mafic intrusive and sedimentary rocks, metamorphosed to upper greenshist / lower amphibolite phases. These rocks are intruded by later felsic intrusive rocks and diabase dykes. At least three phases of deformation are noted with the rocks at Ulu. The volcanic, intrusive, and sedimentary rocks are folded into a north trending anticline that plunges deeply to the north in the area of the Flood Zone. Gold occurs in laminated calc-silicate veins and in quartz veins. The highest concentrations of gold grains are found in quartz veins containing fine-grained arsenopyrite. Gold mineralization occurs primarily in the basalt and to some degree in the sediments. Very little gold mineralization occurs in the gabbroic rocks (BGC 2007).



srk consulting	**Bonito Capital Corp.**	ULU PROJECT
		Ulu Facility Area Plan
SRK JOB NO.: 1CL008.000	Bonito Capital Corp.	DATE: October 2014 / APPROVED: AT / FIGURE: 2.1
FILE NAME: Ulu-SiteFacil-utm-12_20141010.dwg		

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7421500 N

7421000 N

West Lake

Dock

Ulu Access Road

Escape way Raise Collar Line

Fresh Water Intake Line

Tank Farm

Portal Laydown Pad

Sewage Line

Ore Pad

East Lake

501000 E

501500 E

LEGEND

- Tank Farm Berm Outline
- Building
- Water Pipeline
- Sewage Pipeline
- Lake Shore, Drainage
- Contour 1 m
- Contour 5 m
- Roads
- Site Features Miscellaneous

NOTES

1. Topographic information and facilities outline provided by Bonito Capital Corporation.

0 40 80 120 160 200

Scale in Metres

Coordinate System: Nad_1983_UTM_Zone_12N
NTS Map Sheets 076L15

srk consulting

SRK JOB NO.: 1CL008.000

FILE NAME: Ulu-SiteFacil-utm-12_20141010.dwg

Bonito Capital Corp.

Bonito Capital Corp.

ULU PROJECT

Ulu Site Plan

DATE:	APPROVED:	FIGURE:
October 2014	AT	2.2

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3 Geotechnical Site Inspection

3.1 General

Mr. Alvin Tong, PEng, a senior geotechnical engineer with SRK, conducted the geotechnical inspection on August 20, 2014. After a general overview of the site by air, the detailed site inspection was carried out on foot and via ground transportation. Mr. George Friesen of BCC was present and accompanied SRK personnel for inspection.

Weather conditions during the inspection were overcast and cold with periods of flurry and high gusts of wind. A detailed photographic log of the inspection is included in Appendix A. Generally, the inspection indicated the facilities in Ulu are in good geotechnical condition with one minor concern noted below.

3.2 Ulu Camp

The Ulu Camp area consists of the following facilities:

- Mine sump;
- Ulu Gold Project main tank farm containment berm;
- Day fuel tank containment berm;
- Ore storage pad; and
- Portal laydown pad.

All the facilities are generally in good condition, in terms of stability and performance, where only minor damages are noted in geosynthetic liner and minor erosion in overliner that require maintenance.

All the facilities are generally in good condition, in terms of stability and performance. Only minor damages were noted in the geosynthetic liner and minor erosion in the overliner that require maintenance. The ore storage and portal laydown pads do not show any signs of instability.

During the inspection, part of the leading edge and the slopes of the liner in the mine sump were found to be exposed and should be covered at the first opportunity to protect the liner. Damage to the sump liner was also observed and should be repaired. These repairs and maintenance should be performed prior to utilizing the sump.

There are minor erosion issues near each crest of the fuel containment berms where liners are exposed and damaged. The erosion should be repaired to prevent further damage to the liner, as well as to prevent leakage during periods of high water levels. Both the ore storage and portal laydown pads are in satisfactory geotechnical condition.

3.3 Camp 3

The Camp 3 area consists of the following facilities:

- Camp 3 fuel tank farm; and
- Vehicle repair shop

Similar to facilities at Ulu, minor damage was noted in the liner and left exposed from erosion. The main concern observed during the Camp 3 inspection is that three fuel tanks are leaning because of broken cribbing at their base. It is recommended that the cribbing be repaired. The tanks should be set upright and leveled to prevent toppling and damage to the tanks and containment berm. Alternatively, the leaning tanks could be decommissioned and removed from the containment berm. The fuel tank farm containment berm was generally in good condition with no visual stability concerns. The parts of the liner that are damage should be repaired and cover with appropriate backfill.

The vehicle repair shop was not part of the geotechnical inspection requirement.

4 Recommendations

Overall, the facilities are in good geotechnical condition; however, SRK makes the following recommendations for site maintenance and repairs:

- Cover all exposed liners and leading edges with granular fill for overliner protection.
- Repair all damaged liners in the fuel storage.
- Replace the broken cribbing at Camp 3 and re-level the fuel tank or decommission the tank.
- Repairs and perform maintenance on the liner in the mine sump shall be completed prior to utilizing it.
- BCC may wish to submit a request to the Nunavut Water Board for an amendment to the inspection schedule as there is no mining or exploration activity. The proposed inspection schedule would consist of bi-weekly inspections during May and June freshet, monthly inspections from July to October of the fuel containments and mine sump, and an annual inspection of the storage pad when the site is in care and maintenance status. The inspection schedule stated in the Part D. Item 8.e of Water Licence is:

  "*Inspections of the Retention Pond and structures are carried out weekly during periods of open water and records kept of these inspections for review upon request of an Inspector."*

This report *"2014 Annual Geotechnical Inspection of Selected Structures − Ulu Gold Project, Nunavut"* has been prepared by SRK Consulting (Canada) Inc.

Prepared by

Alvin Tong, PEng
Senior Consultant

Reviewed by

Peter Healey, PEng
Principal Engineer

5 References

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Appendix A: Photo Log

Photo 1: Looking north at one of the leaning tanks in the front of the Camp 3 fuel tank farm.

Photo 2: Close up view of the broken cribbing underneath the tank.

Photo 3: Looking east at the Camp 3 fuel tank farm.

Photo 4: Close up view of the damaged liner in the southern bank of the Camp 3 fuel tank farm.

Photo 5: Close up view of the exposed liner between the 2 large tanks in Camp 3 fuel tank farm.

Photo 6: Looking at the exposed liner in the north bank of the Camp 3 fuel tank farm.

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		Sewage Pond Dam Inspection
Job No: 1CB027.002 Filename: Photo_Log_1CB027_002_JN_20141008	Ulu Mine	Date: Oct 2014 / Approved: AT / Figure: **1**

Photo 7: Looking north at the leaning tanks at the back of the Camp 3 fuel tank farm.

Photo 8: Close up view of the broken cribbing underneath the leaning tanks.

Photo 9: Close up view of the broken cribbing underneath the leaning tanks.

Photo 10: Close up view of the broken cribbing underneath the leaning tanks.

Photo 11: Look northeast at the south slope of Ore Pad.

Photo 12: Looking northwest at the west slope of the Ore Pad.

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Photo 13: Looking north at the Ore Pad.

Photo 14: Looking northwest at the mine sump.

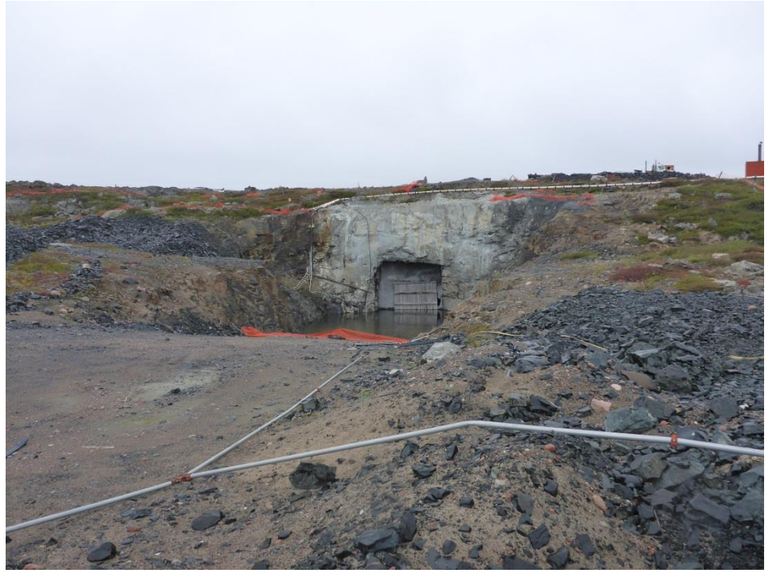

Photo 15: View of the portal and south slope of the mine sump.

Photo 16: Looking southwest at the south slope of the Portal Laydown Pad.

Photo 17: Looking southeast at the south slope of the Portal Laydown Pad.

Photo 18: Looking north at the Portal Laydown Pad.

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Photo 19: Looking north at the Ulu Main Tank Farm.

Photo 20: Looking east banks of the Ulu Main Tank Farm.

Photo 21: Looking west banks of the Ulu Main Tank Farm

Photo 22: Looking north banks of the Ulu Main Tank Farm

Photo 23: Close up view of the exposed liner in the north banks.

Photo 24: View of the day fuel tank at Ulu camp.

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Job No: 1CB027.002 Filename: Photo_Log_1CB027_002_JN_20141008	Ulu Mine	Date: Oct 2014 / Approved: AT / Figure: **4**