

**RECEIVED**

By Manager of Licensing at 8:23 am, Jul 13, 2011

**IRREVOCABLE STANDBY LETTER OF CREDIT NO. GTE HTO 119128****DATE OF ISSUE:** JULY 05, 2011**DATE OF EXPIRY:** JULY 04, 2012**APPLICANT:**

ELGIN MINING INC.  
200-83 YONGE STREET  
TORONTO, ONTARIO  
M5C 1S8

**BENEFICIARY:**

HER MAJESTY THE QUEEN IN RIGHT OF CANADA,  
AS REPRESENTED BY THE MINISTER OF  
INDIAN AFFAIRS AND NORTHERN DEVELOPMENT  
PAYABLE TO THE RECEIVER GENERAL FOR CANADA  
c/o P.O. BOX 2200 QIMUGJUK BUILDING, 2ND FLOOR  
IQALUIT, NUNAVUT X0A 0H0

**ATTENTION:** REGIONAL DIRECTOR GENERAL  
DIAND, NUNAVUT REGIONAL OFFICE

**AMOUNT:** CAD\$1,685,210.00 (CANADIAN DOLLARS ONE MILLION SIX HUNDRED AND EIGHTY FIVE THOUSAND TWO HUNDRED AND TEN ONLY)

**RE: SECURITY PURSUANT TO WATER LICENSE NO. 2BM-ULU0914 ISSUED BY THE NUNAVUT WATER BOARD**

AT THE REQUEST AND FOR THE ACCOUNT OF ELGIN MINING INC., 200-83 YONGE STREET, TORONTO, ONTARIO M5C 1S8 (*THE APPLICANT*), WE HSBC BANK CANADA, 70 YORK STREET, TORONTO, ONTARIO M5J 1S9 HEREBY ESTABLISH IN YOUR FAVOUR OUR IRREVOCABLE STANDBY LETTER OF CREDIT NO. GTE HTO 119128 (*CREDIT*) FOR SUMS NOT EXCEEDING IN THE AGGREGATE CAD1,685,210.00 (CANADIAN DOLLARS ONE MILLION SIX HUNDRED AND EIGHTY FIVE THOUSAND TWO HUNDRED AND TEN ONLY).

THIS CREDIT IS AVAILABLE WITH US FOR DRAWING AT SIGHT, WITHOUT ENQUIRY AS TO WHETHER YOU HAVE A RIGHT AS BETWEEN YOURSELF AND THE APPLICANT TO MAKE SUCH DEMAND AND WITHOUT RECOGNIZING ANY CLAIM OF THE APPLICANT OR OBJECTION BY THE APPLICANT, AGAINST PRESENTATION TO US, BY YOU OR YOUR DULY AUTHORIZED REPRESENTATIVE OR AGENT, OF THE FOLLOWING DOCUMENTS:

1. A SIGHT DRAFT, PAYABLE TO THE RECEIVER GENERAL FOR CANADA, DRAWN ON US HSBC BANK CANADA, 70 YORK STREET, TORONTO, ONTARIO M5J 1S9; AND
2. THE ORIGINAL OF THIS IRREVOCABLE STANDBY LETTER OF CREDIT NO. GTE HTO 119128 FOR ENDORSEMENT OF PAYMENT THEREON; AND
3. A STATEMENT SIGNED BY AN OFFICIAL OF THE DEPARTMENT OF INDIAN AFFAIRS AND NORTHERN DEVELOPMENT CERTIFYING  
  
**A) THAT THE SIGNATORY IS AN OFFICIAL OF THE DEPARTMENT OF INDIAN AFFAIRS AND NORTHERN DEVELOPMENT AND HAS THE AUTHORITY TO SIGN THE STATEMENT ON BEHALF OF THE MINISTER OF INDIAN AFFAIRS AND NORTHERN DEVELOPMENT (THE MINISTER), AND**

The sum of 1,685,210.00



THIS PAGE FORMS AN INTEGRAL PART OF OUR IRREVOCABLE STANDBY LETTER OF CREDIT  
NO. GTE HTO 119128

**B) EITHER**

- I) THAT THE MINISTER IS ENTITLED TO APPLY THE AMOUNT DRAWN, BEING ALL OR PART OF THE SECURITY POSTED AND MAINTAINED PURSUANT TO 2BM-ULU0914 ISSUED BY THE NUNAVUT WATER BOARD, WHETHER AS ORIGINALLY ISSUED OR AS AMENDED, RENEWED, OR REPLACED FROM TIME TO TIME, OR
- II) THAT THIS CREDIT IS DUE TO EXPIRE IN THIRTY (30) DAYS OR LESS AND THAT THE APPLICANT HAS NOT REPLACED THIS CREDIT BY POSTING WITH THE MINISTER OTHER SECURITY SATISFACTORY TO THE MINISTER.

PARTIAL DRAWINGS ARE PERMITTED.

THIS CREDIT IS EFFECTIVE FROM 8.00 A.M. ON JULY 05, 2011 AND SHALL EXPIRE AT OUR COUNTERS AT 5.00 P.M. JULY 04, 2012 (THE INITIAL EXPIRATION DATE). THIS CREDIT SHALL BE RENEWED AUTOMATICALLY FOR AN ADDITIONAL ONE-YEAR PERIOD FROM THE INITIAL EXPIRATION DATE AND FOR AN ADDITIONAL ONE YEAR PERIOD FROM EACH FUTURE EXPIRATION DATE (EACH SUCH EXPIRATION DATE, THE OPERATIVE EXPIRATION DATE), UNLESS AT LEAST NINETY (90) DAYS PRIOR TO THE OPERATIVE EXPIRATION DATE WE NOTIFY YOU IN WRITING BY REGISTERED MAIL OR COURIER THAT WE ELECT NOT TO CONSIDER THIS CREDIT RENEWED FOR SUCH ADDITIONAL PERIOD.

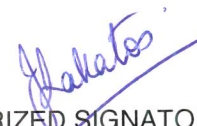
THE WATER LICENCE IS REFERRED TO HEREIN FOR REFERENCE PURPOSES AND DOES NOT FORM PART OF THE TERMS OF THIS CREDIT.

WE HEREBY AGREE THAT ALL DRAFTS DRAWN UNDER AND IN COMPLIANCE WITH THE TERMS OF THIS CREDIT SHALL BE DULY HONoured BY US IF PRESENTED FOR PAYMENT ON OR BEFORE THE OPERATIVE EXPIRATION DATE.

THIS CREDIT IS SUBJECT TO THE UNIFORM CUSTOMS AND PRACTICE FOR DOCUMENTARY CREDITS (2007 REVISION), INTERNATIONAL CHAMBER OF COMMERCE, PUBLICATION NO. 600. NOTWITHSTANDING ARTICLE 36 OF SAID PUBLICATION, IF THIS CREDIT EXPIRES DURING AN INTERRUPTION OF BUSINESS AS DESCRIBED IN ARTICLE 36, WE AGREE TO EFFECT PAYMENT IF THIS CREDIT IS DRAWN ON US WITHIN THIRTY (30) DAYS AFTER THE RESUMPTION OF BUSINESS. FOR MATTERS NOT GOVERNED BY SUCH PUBLICATION, IT SHALL BE GOVERNED BY THE LAWS OF NUNAVUT.

HSBC BANK CANADA

  
AUTHORIZED SIGNATORY

  
AUTHORIZED SIGNATORY

JENNIFER LAKATOS  
024137

The Sum of 7,685,210.00\$