

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.

2BM-ULU0914

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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