

Bonito Capital Corp.
(a subsidiary of Mandalay Resources)

January 31, 2016

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

To whom it may concern,

Please accept this cover letter with plan and timelines to implement the engineer's recommendations. The 2015 Ulu Geotechnical Inspection Report, completed by SRK Consulting, to fulfil part D, item 10 of our water licence was submitted to the Nunavut Water Board in 2015.

SRK stated that the facilities are in good geotechnical condition and SRK made 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.
- Monitor the animal burrows in the fuel containment area for increased activities, damaged liner and fragments

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 2016 summer season. Animal burrows will also be monitored.

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.

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

Sincerely,

Bonito Capital Corp.

"Karyn Lewis"

Karyn Lewis