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NUNAVUT WATER BOARD
NUNAVUT IMALIRIYIN KATIMAYIT
OFFICE DES EAUX DU NUNAVUT

File: 2BM-ULU0914 /Assignment

June 16, 2011

Mr. Martin McFarlane and Mr. Michael McConnell
MMG Resources Inc.
Suite 200 – 1159 Alloy Drive
Thunder Bay, Ontario
P7B 6M8
Email: micheal.mcconnell@mmg.com

Bonito Capital Corp.
c/o Quest Capital Management Corp.
Suite 1028 - 550 Burrard Street
Vancouver, British Columbia
V6C 2B5
matkinson@ionicmail.com

Subject: Application for Assignment of Water Licence 2BM-ULU0914

Dear Mr. McFarlane, Mr. McConnell and Bonito Capital Corp,

On May 31, 2011, the Nunavut Water Board (NWB or Board) received an application for assignment of water licence 2BM-ULU0914 (Licence) from Jay F. King of Cassels, Brock & Blackwell LLP on behalf of Elgin Mining Inc. to commence the process of transferring the subject water licence issued from MMG Resources Inc. to Bonito Capital Corp. (Application). The Application included the following documents:

- Cover letter from Jay F. King, Cassels Brock & Blackwell LLP, to Richard Dwyer, NWB, Re: Application for Assignment of Water Licence 2BM-ULU0914, dated May 20, 2011;
- \$30 application fee;
- Completed Application for Assignment and Declaration of Licensee (Assignor);
- Purchase Agreement between Elgin Mining Inc. and Bonito Capital Corp. and MMG Resources Inc., dated May 6, 2011;
- Elgin Mining Inc. Consolidated Financial Statements December 31, 2010 and 2009;
- Articles of Continuance Elgin Mining Inc.; and
- Articles of Incorporation Bonito Capital Corp.

All documents related to the Application can be obtained from the NWB ftp site, using the username of “public” and the password of “registry”, without the quotes, at the following link or by contacting our office:

<ftp://nunavutwaterboard.org/1%20PRUC/2%20MINING%20MILLING/2B/2BM%20-%20Mining/2BM-ULU0914%20MMG/1%20APPLICATION/2011%20Assignment/>

It was indicated in your letter of May 20, 2011, that all remaining applicable items required for the application would be provided as soon as possible, and following a preliminary administrative review of the Application, the NWB has determined that the Application does not contain sufficient information to for the NWB to commence processing at this time. Specifically, the NWB requires the following:



- Completed form entitled “Executed Undertaking of Proposed Assignee and Affidavit of Execution – Undertaking of Proposed Assignee”. (Please see form attached).
- A letter to the NWB from the Manager of Water Resources at Indian and Northern Affairs Canada (INAC) confirming that, subject to the approval of the Board, the assignee has furnished security in the amount required by the Licence and in a form satisfactory to the Minister. The release of security furnished by the assignor is administered by INAC upon NWB confirmation of the assignment of the Licence.
- An updated financial security assessment prepared in accordance with the NWB’s Guide 4: Completing and Submitting a Water Licence Application for a New Licence, part 1, section 5, Block 19.
- Letters from each Designated Inuit Organization (DIO) and existing or other water users confirming that the proposed assignment does not negatively impact any existing water compensation agreements.
- A statement of the assignee’s capacity to implement the conditions of the water licence and a schedule for the implementation of all plans, manuals, and reports to be submitted under the licence including:
 - Water use fees in accordance with Part B Item 1 of the Licence;
 - Updated estimate of the Ulu Gold Project restoration liability using the current version of RECLAIM, its equivalent or other similar methods approved by the Board, in accordance with the principles of INAC’s “Mine Site Reclamation Policy for Nunavut” (2000) in accordance with Part B Item 5 of the Licence;
 - A Waste Management Plan to address the storage and disposal of all solid and hazardous waste produced as a result of the project in accordance with Part D Item 15 of the Licence;
 - An updated Spill Contingency Plan prepared in accordance with the *Spill Contingency Planning and Reporting Regulations* developed under the *Environmental Protection Act (Nunavut)*. The revised Plan shall include an executive summary, translations, and reflect the new ownership of the project in accordance with Part E Item 1 of the Licence;
 - A Care and Maintenance Plan for waste and waste related infrastructure for the Ulu project site including water quality monitoring, fuel storage, equipment storage, site maintenance, water usage and maintenance of other engineering components in accordance with Part I Item 1 of the Licence;
 - An updated Interim Closure and Reclamation Plan prepared in accordance with the Mine Site Reclamation Guidelines for the Northwest Territories (2007) and consistent with the INAC Mine Site Reclamation Policy for Nunavut (2002). The Plan shall include an executive summary, translations, cover all project-related components and reflect the new ownership of the project in accordance with Part I Item 2 of the Licence; and
 - A Quality Assurance/ Quality Control (QA/QC) Plan in accordance with Part J Item 8 of the Licence.

The Board notes that within the 2010 Annual Report, the Licensee committed to submit most of the above noted Plans to the NWB by May 31, 2011; however, to date none have been received.

The Board will not proceed with processing the Application until a satisfactory response to the above issues is provided. Should you have any questions please do not hesitate to contact the NWB office.

Sincerely,



Original Signed By:

David Hohnstein, C.E.T.
Director of Technical Services

DH/kt/

Cc. Jay F. King, Cassels Brock & Blackwell LLP, jking@casselsbrock.com
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