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NUNAVUT WATER BOARD  
NUNAVUT IMALIRIYIN KATIMAYIT  
OFFICE DES EAUX DU NUNAVUT

File: 2BM-ULU0914/  
Assignment

June 23, 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](mailto: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](mailto:matkinson@ionicmail.com)

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

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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. (Elgin) to commence the process of transferring the subject water licence issued to Minerals and Metals Group Resources Inc. (MMG) 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.

On June 16, 2011, the NWB requested the following additional information prior to commencing the review process:

1. Completed form entitled "Executed Undertaking of Proposed Assignee and Affidavit of Execution – Undertaking of Proposed Assignee";
2. 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;

3. 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;
4. 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; and
5. 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.

By June 21, 2011, the NWB was in receipt of the following additional information from the Applicant:

- Completed, modified NWB form entitled "Undertaking of Proposed Assignee";
- Email from T. Trenholm, INAC, to K. Tunaley, Tunaley, Lines & Associates (TLA) on behalf of NWB, Subject: Lupin and Ulu Securities, dated June 17, 2011; and
- Letter from M. McConnell, MMG, to Whom It May Concern, NWB, Re: Application 2BE-ULU0914, dated June 20, 2011.

With regards to item 3 of the requested information, Elgin has informed the NWB that it is waiting to receive an update on the most recent financial security assessment from MMG, at which time it will determine a timeframe for submitting the required information to the Board. In addition, with regards to item 4 of the requested information, Elgin has informed the NWB that MMG has requested the correspondence from the DIO confirming that the proposed assignment does not negatively impact any existing water compensation agreements, and that it will be submitted to the Board upon receipt.

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

The NWB undertook a preliminary review of your application and concluded that it meets the requirements of section 48(1) of the *Nunavut Waters and Nunavut Surface Rights Tribunal Act* ("Act"). However, the NWB retains the right to request additional information and studies pursuant to sections 48(2) of the Act or to issue guidelines for the provision of information pursuant to section 48(3) of the Act. A NWB Technical Advisor may be in touch with you to clarify any technical details related to your application.

To ensure this application is dealt with in a timely fashion, the NWB forwards notice of all documentation to regulators and council of the municipality(ies) most affected by the project, inviting interested parties to make representation directly to the NWB ***no later than 5p.m. (MT) July, 23, 2011***. The NWB may provide additional procedural instructions once the application has been reviewed by interested parties.

Sincerely,

*Original Signed By:*

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

DH/kt/



Copy Jay F. King, Cassels Brock & Blackwell LLP, [jking@casselsbrock.com](mailto:jking@casselsbrock.com)  
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