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March 2, 2011

sent via mail & e-mail
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Northwest Territories Water Board
P.O. Box 2531
125 Mackenzie Road
Suite 302 Professional Building
Inuvik, NT X0E 0T0

Attention: Mike Harlow, Executive Director

Dear Sir:

Re: Water Licence N7L1-1797
Annual Water Report 2010 for MGM Energy Corp. Burnt Lake
(Umiak N-16) Drilling Program: 2004
Our File: 18-0702

In accordance with Part B, Item 1 of the Water Licence N7L1-1797 (the Licence), please find enclosed one hard copy (to be sent vial mail) and one electronic copy (sent via email) of the MGM Energy Corp. (MGM) Burnt Lake (Umiak N-16) Drilling Project (the Project) Annual Report for 2010.

Activity for the reporting period on the Project solely consisted of monitoring activities related to the remote sump in the central portion of Richards Island.

This report covers the period from January 1 – December 31, 2010. The following summarizes the information as required in Part B, Item 1 of the Licence.

- 1a) the total quantity in cubic meters of fresh water obtained from all sources: **None**
- 1b) the total quantities in cubic meters of each and all waste discharged: **None**
- 1c) an itemized list indicating the names and quantities of all drilling mud additives used: **None**
- 1d) details of all work completed: **as per Sump Monitoring Report dated December 2010 and filed December 2010.**

- 1e) details on the restoration of any sumps: **as per Sump Monitoring Report dated December 2010 and filed December 2010.**
- 1f) a list of spills and unauthorized discharges: **None**
- 1g) results of sump monitoring programs: **as per Sump Monitoring Report dated December 2010 and filed December 2010.**
- 1h) any other details on Water use and Waste disposal requested by the Board within 45 days before the annual report is due: **None**

MGM has conducted all operations and activities in accordance with the terms and conditions of the Licence. Should you have any questions or concerns with this report, please contact the undersigned at shirley.maaskant@mgmenergy.com or 403-781-7840.

Yours truly,

MGM Energy Corp.


Shirley Maaskant
Manager, Regulatory & Community Affairs

Cc: Jan Davies, Water Resource Officer, Indian & Northern Affairs Canada
Amanda Joynt, Fish Habitat Biologist, Department of Fisheries & Oceans