

IN THE MATTER OF THE SECURITIES ACT
R.S.N.S. 1989, CHAPTER 418, AS AMENDED ("Act")

- AND -

IN THE MATTER OF ATLANTIC INDUSTRIAL MINERALS INCORPORATED ("Issuer"),
and MUNICIPAL CAPITAL INC., DAVID MACKENNA, GARY MACKENZIE, BARRY
MARTIN, GLEN DEXTER, BARCLAY CUNNINGHAM,
and BEV MACKENNA ("Respondents")

- AND -

THE APPLICATION OF NOVA SCOTIA SECURITIES COMMISSION STAFF
UNDER SECTION 134 OF THE ACT

STATEMENT OF ALLEGATIONS

Staff of the Nova Scotia Securities Commission ("Commission") make the following allegations:

1. The Issuer is a reporting issuer under the Act, and a Venture Issuer within the meaning of National Instrument 51-102 ("NI 51-102").
2. The Respondents are residents of Nova Scotia, directors or insiders of the Issuer or were at some time since the end of the period covered by the last financial statements filed by the Issuer in accordance with the Act ("Relevant Period").
3. During the Relevant Period, the Respondents may have had access to material, undisclosed information with respect to the Issuer.
4. The Issuer failed to file its annual financial statements for the year ended February 28, 2006, on or before June 28, 2006 contrary to section 4.2(b) of NI 51-102, or on or before July 17, 2006, contrary to section 84(1) of the Act.
5. The issuer failed to file a press release and material change report to immediately communicate to the securities marketplace the fact that it was not in compliance with its financial statement filing requirements contrary to section 81(1) and 81(2) of the Act.
6. In failing to file the annual financial statements the Issuer failed to ensure that the market was and is apprised of material financial information and has acted contrary to the public interest and breached Nova Scotia securities laws.
7. Such other allegations as staff of the Commission may make and the Commission may permit.

DATED this 18th day of August, 2006.

_____"R. Scott Peacock"_____
R. Scott Peacock
Deputy Director, Compliance and Enforcement
Nova Scotia Securities Commission