

Bonito Capital Corporation  
76 Richmond Street East, Suite 330  
Toronto, ON M5C 1P1

Blue Star Gold Corp.  
Suite 1125, 595 Howe Street  
Vancouver, BC V6C 2T5

August 8, 2019

BY EMAIL [karen.kharatyan@nwb-oen.ca](mailto:karen.kharatyan@nwb-oen.ca)

Nunavut Water Board  
P.O. Box 119  
Gjoa Haven, Nunavut X0B 1J0

Attention: Karén Kharatyan, Director of Technical Services

Dear Sirs and Mesdames:

**Re: Assignment of Water Licence 2BM-ULU1520 (the “Water Licence”)**

Please find enclosed our application for the Nunavut Water Board’s (NWB) consent to the proposed assignment the above noted Water Licence from Bonito Capital Corporation (“**Bonito**”) to Blue Star Gold Corp. (“**Blue Star**”).

The requested assignment is part of a transaction involving the proposed transfer of the Ulu Property to Blue Star, pursuant to the New Ulu Property Option Agreement dated January 8, 2018 as amended by the Amendment to New Ulu Property Option Agreement dated for reference July 19, 2019, together the “**Transaction Agreement**”. The assignment of the Water Licence is to be coordinated with the transfer of the underlying Ulu Property mineral lease L-3563, among other things.

The Transaction Agreement stipulates that on the date when certain required conditions have been met, including receipt of confirmation from the NWB that the NWB consents to the assignment of the Water Licence, then Blue Star shall be deemed to have exercised its option to acquire the Ulu Property, and the Closing will occur within 10 business days from that date. On the date of Closing, mineral lease L-3563, the Water Licence and certain other property will be assigned to Blue Star.

At this point the date of Closing is unknown, but it will be sometime after the NWB renders its decision on the assignment of the Water Licence and Kitikmeot Inuit Association (“**KIA**”) has given its consent to the assignment of certain surface rights. We therefore request that the effective date of the assignment be the date on which the NWB receives written notice from Bonito and Blue Star that the Water Licence has been assigned.

Bonito, Blue Star, KIA and CIRNAC conducted a joint site visit to the Ulu Property in July 2019 to establish a common understanding of the current site conditions. Blue Star and Bonito have come to the conclusion that the outstanding reclamation work currently approved under the water licence is covered by the existing financial security held by CIRNAC in respect of the Water Licence. This is supported by the enclosed security estimate provided by Blue Star.

As the current expiry date of the Water Licence is in May 2020, following assignment of the Water Licence Blue Star intends to file a renewal and amendment application to regulators this Fall. As part of that application Blue Star intends to apply for approval of a new Interim Closure and Reclamation Plan that considers certain alternate waste management methods and facilities. A revised security estimate will be provided by Blue Star as part of the renewal and amendment application process. Please see the enclosed letter from Blue Star to Mr. Dwyer Re. Statement of Capacity and Schedule for Implementation of Conditions following assignment of 2BM-ULU1520 from Bonito Capital Corporation to Blue Star Gold Corp for more details.

As a result of Blue Star's plans to undertake certain technical assessment work on site in September and October of 2019 to support the renewal and amendment application, and in view of the proactive consultation with KIA and CIRNAC to date, Blue Star is respectfully requesting that the NWB consider a reduced public comment period of seven (7) days for the water licence assignment process, and is hoping for a decision from the NWB in approximately 30 days, to allow for the transaction Closing by mid-September 2019. This timeline is set out in further detail in the enclosed letter from Blue Star.

The enclosures to this Assignment Application are as follows:

- Application for Assignment Form and Declaration of Assignor (Bonito);
- Undertaking of Proposed Assignee (Blue Star);
- Affidavit of Execution for the Undertaking of Proposed Assignee;
- Copy of the Transaction Agreement (the New Ulu Property Option Agreement dated January 8, 2018 and the Amendment to New Ulu Property Option Agreement dated July 19, 2019);
- Statement of financial responsibility of the assignee, and statement of assignee's capacity to implement the conditions of the water licence and a schedule for the implementation of plans, manuals and reports (Blue Star);
- Audited financial statements of Blue Star;
- Updated financial security assessment (Blue Star); and
- a copy of the cheque for the \$30 application fee payable to the Receiver General for Canada – original to follow by courier.

Items still to be provided are as follows:

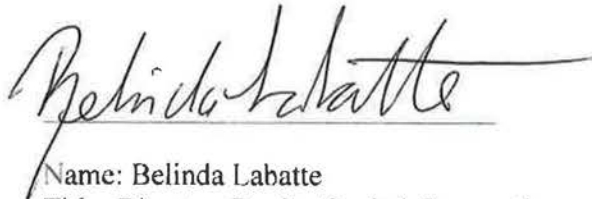
- Letter of confirmation from Kitikmeot Inuit Association; and
- Letter from CIRNAC to the NWB confirming that Blue Star has posted replacement security with CIRNAC.

We note that there are no associated water compensation agreements, and we understand that Kitikmeot Inuit Association will be providing a letter confirming that the proposed assignment does not negatively impact any existing water compensation agreements.

Blue Star is in discussion with CIRNAC regarding the replacement of the security that CIRNAC is holding in connection with the Water Licence, and expects to post the replacement security in the form of a letter of credit by approximately August 15, 2019. We understand that a letter of confirmation from CIRNAC will follow shortly thereafter.

We look forward to your confirmation of receipt of this application. Please let us know if any further information is required at this point.

Yours very truly,



Name: Belinda Labatte  
Title: Director, Bonito Capital Corporation



Name: Stephen Wilkinson  
Title: President & CEO, Blue Star Gold Corp.

Enc.

cc. Stephanie Autut, Executive Director, Nunavut Water Board  
Derek Donald, Technical Advisor, Nunavut Water Board  
Geoff Clark, Kitikmeot Inuit Association  
Godwin Okonkwo, Manager Water Resources, Crown-Indigenous Relations and Northern Affairs Canada



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6. PROPOSED DATE OF ASSIGNMENT:

☐ 45 days after date of application

☒ Other: The date on which the NWB receives written notice from Bonito Capital Corporation and Blue Star Gold Corp. that the water licence has been assigned to Blue Star. (Note: this will be sometime after the date on which the NWB renders its decision on this application.)

7. APPLICATION FEE:

Application fee for assignment of water licence is \$30.00 CDN (payable to the Receiver General for Canada).

8. CHECKLIST:

The following documents **must** be included with the Application for Assignment where applicable:

☒ Completed Application for Assignment and Executed Declaration of Licensee (Assignor).

☒ Executed Undertaking of Proposed Assignee and Affidavit of Execution – Undertaking of Proposed Assignee.

☒ Copies of all documents pertaining to the lease, sale, rental or other disposition of the property or the licence from one party to another.

☒ Statement of financial responsibility of the assignee.

☐ For licences which require the provision of security, a letter to the NWB from the Manager of Water Resources, Indian and Northern Affairs Canada (INAC). *→ To follow shortly. Please see cover letter.*

☒ An updated financial security assessment.

☐ A letter 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 agreement(s). *→ To follow shortly. Please see cover letter.*

☒ Statement of assignee's capacity to implement the conditions of the water licence and a schedule for the implementation of all plans, manuals and reports.

☒ \$30.00 CDN application fee payable to the Receiver General for Canada

9. SIGNATURE

*Belinda Labatte*

Name (Print)

~~Belinda Labatte~~ Director

Title (Print)

*Belinda Labatte*

Signature

*July 17/19*

Date

**UNDERTAKING OF PROPOSED ASSIGNEE**

(section 44 of the *Nunavut Waters and Nunavut Surface Rights Tribunal Act*)

**WHEREAS**

The Nunavut Water Board ("NWB") issued Licence No. 2BM-ULU1520 dated May 13, 2015 ("the Licence") to Bonito Capital Corporation (the "**Assignor**"), for a term of 5 years starting on May 13, 2015 and expiring on May 12, 2020, subject to the terms and conditions set out in the Licence.

**AND WHEREAS** (the Proposed "**Assignee**")

(a) \_\_\_\_\_ (individual)

**OR**

(b) Blue Star Gold Corp.,  
(a corporate entity incorporated pursuant to the laws of British Columbia )

requests that the NWB approve the Assignment of the Licence from the Assignor to the Proposed Assignee pursuant to section 44 of the *Nunavut Waters and Nunavut Surface Rights Tribunal Act* ("Act").

**NOW THEREFORE**

Effective on the date that the NWB approves the assignment of the Licence, the Proposed Assignee undertakes and accepts responsibility for the performance of all of the terms and conditions of the Licence including the performance of all liabilities arising pursuant to any Licence term or condition, whether arising before or after the effective date of the assignment, **AND** undertakes to pay any security required of the Assignor when the Licence was granted.

**IN WITNESS WHEREOF** the Proposed Assignee executed this Undertaking on

AUGUST 1<sup>st</sup>, 2019

SIGNED, SEALED AND DELIVERED  
in the presence of:

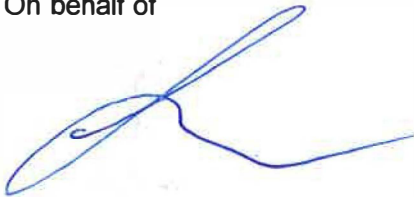
THOMAS MOGGAN  
Signature of Witness

)  
)  
)  
) [Signature]  
(Signature of Individual)

THOMAS MOGGAN  
Print name of Witness .)

) STEPHEN WILKINSON  
(Print name of Individual)

On behalf of



Blue Star Gold Corp.  
(Corporation Name)

Per: PRESIDENT & CEO  
Position  
(corporate seal)

**THOMAS J. MOGGAN**  
*Barrister & Solicitor & Notary Public*  
Suite 704, 595 Howe Street  
Vancouver, BC, V6C 2T5 CANADA



**AFFIDAVIT OF EXECUTION  
UNDERTAKING OF PROPOSED ASSIGNEE**

I, THOMAS MOGGARY (name of witness), of the city/town/village of VANCOUVER in the province or territory of BRITISH COLUMBIA.

**MAKE OATH AND SAY:**

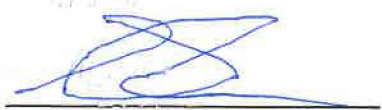
1. **THAT** I know STEPHEN WILKINSON

(individual who signed Undertaking), of the CITY  
city/town/village of VANCOUVER in the  
province/territory of BRITISH COLUMBIA.

2. **THAT** on or about the 1st day of August (month and year), I was  
personally present and did see the Undertaking annexed as Exhibit "A",  
executed by STEPHEN WILKINSON (individual who  
signed Undertaking) by signing the second page of the Undertaking.

3. **THAT** at the time of execution of the Undertaking, STEPHEN WILKINSON  
(individual who signed Undertaking) had attained the age of 19 years and, in my  
opinion, was of sound mind, memory and understanding at the time of execution  
of the Undertaking.

**SWORN BEFORE ME** at the city/town/village )  
of Vancouver in the province or )  
territory of British Columbia )  
this 1st day of August, 2019 )



**SIOBHAN B. LENNOX**  
**Barrister & Solicitor & Notary Public**  
**Suite 704, 595 Howe Street**  
**Vancouver, BC, V6C 2T5 CANADA**

)  
)  
)  
)  
)  
)  
) (name of witness)





REQUEST BY: CJK  
CHEQUE NO.: 41988

REF. NO.	INVOICE NO.	DATE	INVOICE AMOUNT	INVOICE DESCRIPTION	AMOUNT PAID
317356	08/02/2019	08-02-19	30.00		30.00

THIS CHECK CONTAINS A SECURITY WATERMARK ON REVERSE. HOLD AT AN ANGLE TO VIEW.

CHEQUE NO. **41988**

DATE 08-02-2019  
MM-DD-YYYY

\$ 30.00

THIRTY AND 00/100 Dollar(s)

RECEIVED GENERAL FOR CANADA

LAWSON LUNDELL LLP - GENERAL ACCOUNT

PER

PER

00041988 102700016 102337001