



Water Resources
Nunavut Regional Office
P.O. Box 100
Iqaluit, NU, X0A 0H0

August 27, 2019

Your file - Votre référence
2BM-ULU1520
Our file - Notre référence
CIDM# 1259790

Richard Dwyer
Manager of Licensing
Nunavut Water Board
P.O. Box 119
Gjoa Haven, NU, X0A 1J0

Re: 2BM-ULU1520 – Bonito Capital Corporation – Ulu Gold Project – Assignment Application

Thank you for your email on August 12, 2019 regarding the assignment application for the Ulu Gold Property.

Crown-Indigenous Relations and Northern Affairs Canada's (CIRNAC) Water Resources Division reviewed the application and our comments are attached.

Comments have been provided pursuant to the Department's mandated responsibilities under the *Nunavut Waters and Nunavut Surface Rights Tribunal Act* and the *Department of Crown-Indigenous Relations and Northern Affairs Act*.

Please do not hesitate to contact me at 867-222-9278 or ian.parsons@canada.ca for any additional information.

Regards,

Ian Parsons
Regional Coordinator Water Resources



Review Memorandum

To: Richard Dwyer, Manager of Licensing, NWB

From: Ian Parsons, Regional Coordinator, Water Resources

Date: August 27, 2019

Re: Water Licence Assignment Application, #2BM-ULU1520

Licensee: Bonito Capital Corporation
Project: Ulu Project
Region: Kitikmeot

A. BACKGROUND

The Water Resources Division of CIRNAC has undertaken a review of the Bonito Capital Corporation's (BCC) assignment application. The licensee is requesting the assignment of water licence 2BM-ULU1520 to Blue Star Gold Corporation (Blue Star). BCC is a wholly owned subsidiary of Mandalay Resources (Mandalay). The Ulu property is entirely on Inuit owned land.

B. RESULTS OF REVIEW

In reviewing the assignment application, CIRNAC considered the following: security requirements of the licence and recent inspection results.

Security requirements of 2BM-ULU1520

The Minister of CIRNAC currently holds \$1,685,210, however the amount to be held as specified under Part B, Item 2 of water licence 2BM-ULU1520 is \$1,685,542, a difference of \$332.00. CIRNAC expects and Blue Star is required to give security in the amount set out in the water licence (2BM-ULU1520). Therefore security is expected in the amount of \$1,685,542.

CIRNAC holds the position that a property will never be undersecured and will only accept security from the licensee as is set forth in the water licence for that property and licensee. Therefore CIRNAC suggests the following in handling security under the assignment of this water licence:

- 1) Provided that everything is agreeable, and the Nunavut Water Board (NWB) issues the assignment of the water licence to Blue Star, CIRNAC recommends



that the NWB issue the assignment with the condition that the assignee (Blue Star) provide security within 30 days of issuance.

- 2) CIRNAC would therefore keep the current security until the receipt and acceptance of new security from the new licensee (Blue Star)
- 3) Upon acceptance of new security from Blue Star, CIRNAC will release and inform the applicable financial institution to cancel security that was previously held in the name of BBC.

Recent Site Visit Summer 2019

A recent site visit to Ulu confirmed that the licensee had completed significant progressive reclamation work at site and as such the land owner (Kitikmeot Inuit Association (KIA)) is only requiring Blue Star to provide an additional \$500,000 under its land lease, down significantly from a previous estimate for the property in 2015.

C. CONCLUSION

CIRNAC has no concerns with the assignment of the water licence to the assignee (Blue Star) as long as security is provided within the timelines stipulated by the water licence.