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May 8, 2020

Mr. Richard Dwyer, Manager of Licensing
Nunavut Water Board
Gjoa Haven, NU

Via Email: licensing@nwb-oen.ca

Dear Sir:

**Re: 2BM-ULU1520 Amendment and Renewal Application by Blue Star
Gold Corp. dated April 6, 2020**

This is the submission of the Kitikmeot Inuit Association (“KIA”) in response to the amendment and renewal application (the “Application”) for water licence 2BM-ULU1520 made by Blue Star Gold Corp. (“Blue Star”) on April 6, 2020.

I. BACKGROUND:

The KIA is the Regional Inuit Association for the Kitikmeot Region of Nunavut and the Designated Inuit Organization for Article 20 of the Nunavut Agreement for the Kitikmeot Region. KIA owns the surface lands (IOL Parcel CO-20; NTP Map sheet No. 76L) upon which the Ulu Project is located, while Ulu subsurface lands are owned by Nunavut Tunngavik Incorporated. Blue Star has been engaged and working with KIA about its plans for the Ulu site for some time. Blue Star operates at the Ulu site under a Land Use Licence (No. KTL311C013) issued to it by KIA on June 27, 2019.

There has been advanced exploration and mining activity at the Ulu site going back over two decades at least. Some progressive reclamation has recently been completed. A summary of the site history was provided by the Nunavut Water Board (“NWB”) in the Introduction to its Reasons for Decision issued May 13, 2015, at the time the current licence was granted to Bonito Capital Corporation.¹ Licence 2BM-ULU1520 (the “Licence”) was recently assigned to Blue Star.

KIA has reviewed the materials filed in support of the Application by Blue Star. We have been assisted in this review by Mr. Steve Januszewski, P.Eng., of SteveJan Consultants Inc.

¹ NWB Reasons for Decision May 13, 2015 see page. v.



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KIA staff and advisors have reviewed the Blue Star Application during the preparation of this submission to the Board. KIA and Blue Star have also worked together to address KIA concerns especially those related to reclamation security. KIA appreciates the cooperative approach taken by Blue Star.

II. KIA SUBMISSIONS:

KIA submissions below are in two parts. Part A includes KIA recommendations on issues raised with both Blue Star and CIRNAC during our review of the Application. Part B includes submissions on matters of concern to KIA which are raised from its unique perspective as a DIO and landowner.

A. Results of KIA Review -

KIA's resources are limited and our work addressing the Licence Application benefitted from collaboration with Blue Star and communications with CIRNAC. Our staff and advisors are familiar with the site and we have primarily addressed matters of concern to KIA.

1. Acid Rock Drainage and Metal Leaching (ARD/ML)

Recommendation:

The 2006 Water Management Plan should be updated to reflect the revised configuration of the site and specifics concerning possible ML/ARD issues at the site. The extent of any ML/ARD generating waste needs to be addressed during the proposed ML/ARD investigations, planned to be taken by BlueStar in 2020.

In the interim, text should be provided in the appropriate plans outlining possible management strategies.

2. Non-Petroleum Spills

Recommendation:

The Spill Plan should include plans of action for all materials of concern including chemicals, salt or drilling additives that are brought to the site.

3. Landfill Leachate

Recommendation:



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All non-compliant seepage water exiting the landfill must be properly managed. These management requirements should be included in the Landfill Management Plan and the monitoring program to be issued under the new Water License.

4. Landfill Operation and Maintenance Manual

Recommendation:

An Operation and Maintenance Manual for the Landfill should be required. Basic procedures are presented in the current Management Plan. However, more detailed procedures to operate, maintain and undertake surveillance of the facility are required and these are typically provided in an OM&S Manual. These procedures will list specific numerical limits as well as staged action plans, where applicable. These detailed procedures and plans should be included in the Landfill OM&S Manual prior to the landfill being constructed and be updated when applicable during its operation.

5. Landfill Capacity and Closure

Recommendation:

Dust management and waste disposal strategies should be part of the Landfill Management Plan. The KIA are also concerned the landfill may reach its design capacity before all specified debris has been impounded within it. Degree of filling will need to be closely monitored during material placement.

6. Water Sampling and Treatment at the Soil Treatment Facility

Recommendation:

Soil Treatment Facility contact water may include hydrocarbons. Details about the treatment which BlueStar proposes for this water before release to the environment are needed.

These details should be included in the Soil Treatment Facility Management Plan.

7. Draft Licence Terms

Recommendation:



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The KIA do not agree with BlueStar's proposal to use soil treatment objectives provided in the STF Management Plan. As the details contained within management plans can be changed and altered without approval from the Minister of Northern Affairs, there is a problem when accredited government guidelines are replaced with standards set by the Licensee. What will prevent Blue Star from changing these objectives and standards?

The soil treatment objectives outlined in the Government of Nunavut's *Environmental Guideline for Contaminated Site Remediation (1999)* should not be replaced by objectives set out in the Soil Treatment Facility Management Plan. Blue Star should be required to satisfy Nunavut-wide or applicable federal standards and guidelines.

B. KIA Specific Submissions –

1. The Amount of Security Required

The NWB's May 2015 Reasons for Decision for the current licence² disclose serious differences in the evidence and submission in that proceeding amongst the applicant (Bonito Capital) and the parties (AANDC and KIA) about both the amount of security required and which party – the Crown or the Landowner – should hold it. The Board acknowledged that the question of who should hold security and the amount needed for the Ulu site "are ongoing issues that will have to be addressed over time."³ In those circumstances and for the Reasons then set out by the Board, no changes were made to either the amount or the holding of Ulu security 2BM-ULU1520 in 2015.

Progress has been made on the question of how much security is needed in light of changes of ownership and changes at the site. KIA's Land Use Licence now also requires security from Blue Star. KIA is advising the NWB that it is currently holding seven hundred and fifty thousand dollars (\$750,000.00) in security for use in the closure and reclamation of the Ulu site. This amount is in addition to the one million six hundred eight-five thousand five hundred forty-two dollars (\$1,685,542.00) currently held by Canada (CIRNAC) and should be considered by the NWB in any decision made in this proceeding about the amount of security required of Blue Star.

Together the security held under the licence by CIRNAC and by KIA comprises the two million four hundred thirty-five thousand five hundred forty-two dollars (\$2,435,542.00) of security held for the Ulu site referred to by Blue Star in section 21 of its Application.

² See page viii an ix.

³ Page ix paragraph 5.



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Blue Star admits that its own estimate of the total security required is one hundred eighteen thousand eight hundred thirty-five dollars (\$118,835.00) higher than the total financial security currently in place but submits that the additional security should not be ordered to be paid by the Board under the renewed licence because “the contingencies considered in the estimate are very conservative...”.

While the KIA is in general agreement with the total cost estimate provided by Blue Star, extra security is needed, for a concrete cap of the vent raise, for example. However, this security is entirely land related and KIA and Blue Star can address this shortfall under the Land Use Licence. Most of the risk of an under-secured site falls on the landowner KIA, and thus on Kitikmeot Inuit. The KIA submits that all liabilities at the site should be covered by financial security. In KIA’s view, however, all security for the Ulu site should be held by the landowner, who is KIA.

2. Which Party Should Be Secured?

As the Board noted in its 2015 Reasons, work by BGC Engineering Inc. (note that the Reasons mistakenly refer to “BCC” in several places) indicated that there are other mining advanced exploration sites operating under “B” licences in the Kitikmeot Region with no security assessed under these licences.⁴ KIA understands that this continues to be the case, for example for Hackett River, High Lake and Izok Lake “B” licences. In 2015, KIA made submissions arguing that all the security for Ulu should be held by Inuit. As indicated above, in 2015 the NWB made no changes to either the amount of security or who held it. The fact remains, however, that the Ulu site is the anomaly. CIRNAC is currently holding security that should be held by KIA. No additional security should be assessed under the renewed water licence.

It is KIA’s view that security for this site is almost exclusively required for land related cleanup. We note and appreciate that Blue Star has agreed with KIA on this issue.

KIA will continue to hold security under its Land Use Licence. Any additional security required should be held by the party which must bear the most risk and responsibility and that is KIA. We request that the Board make this clear in its decision.

3. Going Forward to Address the Land and Water Split for Security

Further discussions will have to take place between CIRNAC and KIA on security. This work should not delay a decision on the renewal by the NWB.

In the short term, however, KIA recommends that the Blue Star licence be renewed with the current level of security.

⁴ See Reasons for Decision page ix.



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**ALL OF WHICH IS RESPECTFULLY SUBMITTED:
ON BEHALF OF THE KITIKMEOT INUIT ASSOCIATION**

A handwritten signature in black ink, appearing to read "Wynter Kuliktana".

Wynter Kuliktana
Senior Lands Officer
Department of Lands, Environment & Resources
Kitikmeot Inuit Association

Document #: 1728659