



Suite 1125, 595 Howe Street,
Vancouver, BC V6C 2T5
CANADA
Tel: +1.778.379.1433
Fax: +1.778.379.1434

10 May 2020

Richard Dwyer
Manager of Licencing
Nunavut Water Board
PO Box 119
Gjoa Haven, NU
X0B 1J0

Dear Mr. Dwyer,

Re. Response to Additional Party Comments on Blue Star Gold Corp's Application for a Renewal and Amendment of Water Licence 2BM-ULU1520

On May 8, 2020, the Kitikmeot Inuit Association (KIA) provided comments on Blue Star Gold Corp.'s (Blue Star) application to renew and amend water licence 2BM-ULU1520 for the Ulu Gold Project located in the Kitikmeot Region of Nunavut. Blue Star is pleased to provide the attached document in response.

Blue Star recognizes and appreciates the collaboration among parties undertaken in the review of its application and looks forward to continued collaborative efforts. Blue Star also recognizes the tight timelines and volume of technical material involved in this amendment and renewal, and wishes to thank parties for their thorough and timely review.

Should you require any further input from Blue Star on this matter, don't hesitate to contact me.

Regards,

Peter Kuhn
Interim CEO & General Manager
Blue Star Gold Corp.
Kjgold2010@gmail.com
604.347.6999

Encl.

cc. K. Kharatyan, Nunavut Water Board
D. Donald, Nunavut Water Board
W. Kuliktana, Kitikmeot Inuit Association
B. Campbell, Crown-Indigenous Relations and Northern Affairs

Table 1. Blue Star Gold Corp.'s response to additional party comments received in relation to 2BM-ULU1520 renewal and amendment, Ulu Gold Project (May 2020).

ID #	Subject	Party Comment	Party Recommendation	Proponent Response
KIA-1	ML/ARD	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.	<p>At the time of submission, the current configuration of the Ulu site has not changed since 2006, except for the removal of the tank farms and consolidation of waste; no new waste rock or ore has been brought to surface. Blue Star recognizes that following reclamation, the site configuration will change and agrees that an update to relevant plans would then be appropriate.</p> <p>Following a limited study carried out prior to taking ownership of the site, and as detailed in its submission to the NWB, Blue Star has gained a new understanding of the potential risk that may be associated with waste rock and ore on site, as the science around this issues has evolved since the last studies were undertaken on site over 10 years ago.</p> <p>In summary, the material on site has not changed, the risk has not changed, but its understanding has evolved.</p> <p>The current approved <i>Interim Water Management Plan</i> deals specifically with runoff from ore and waste rock and includes: establishment of monitoring requirements including the location and frequency of sample collection; establishment of specific indicators indicative of water quality degradation; establishment of specific thresholds which define the conditions, in terms of the specific indicators, when management actions should be taken; methods for the evaluation of monitoring results; establishment of the approach to responses to be implemented if any specific thresholds have been crossed; establishment of review and reporting requirements. Blue Star believes this plan to remain valid despite the time elapsed since 2006, to be robust and suitably protective, and it should continue to remain in place under a renewed water licence.</p> <p>Further assessment needs to be undertaken to determine the nature and extent (i.e. particle size, distribution, geochemistry) of potentially acid generating material on site prior to determining suitable management strategies. Undertaking this work is a priority for Blue Star and it plans to commence this as soon as it may gain access to the site hopefully in summer 2020, pending resolution of access restrictions related to the pandemic.</p> <p>At this time, Blue Star does not feel it has enough information to provide a meaningful update to the management plans to address this matter. However, should it suite the parties and the NWB, Blue Star welcomes a specific licence condition to address this matter, and proposes the following wording:</p> <p><i>"Following completion of geochemical assessment of existing ore and waste rock located on surface, the Licensee shall submit to the Board along with its annual reporting for the year in which the study was undertaken an assessment report and necessary updates to relevant management plans."</i></p>

Table 1. Blue Star Gold Corp.'s response to additional party comments received in relation to 2BM-ULU1520 renewal and amendment, Ulu Gold Project (May 2020).

KIA-2	Spills		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.	<p>Blue Star commits to cleaning up any spills to the ground or ice of any dry chemicals or materials immediately with a shovel, loader or otherwise manually, as needed. Any recovered materials will be reused to the greatest extent possible, and where reuse is not possible, will be disposed of offsite at a suitable facility. Given open water drilling, and drilling and other activities in riparian areas, are neither planned nor approved, there is no expected incidence of spills of dry chemicals or materials to open water.</p> <p>Regarding drilling fluid: Section 4 of the <i>Environment and Heritage Resources Protection Plan</i> outlines management of drill water and waste in a manner protective of vegetation and aquatic life. To the greatest extent possible salt use is minimized and drill fluid, including cuttings, water and any additives, is captured at the drill and reused or disposed of in a sump. However, some cuttings and drill water do escape and are deposited to tundra in the vicinity of the drill. Should any recoverable amounts of cuttings be deposited to the tundra in the vicinity of the drill, it will be collected and deposited in the drill sump, to the extent possible without disturbing the tundra, and/or to the satisfaction of the Inspector.</p> <p>Blue Star commits to update its <i>Spill Response Plan</i> in this regard prior to the commencement of activities on site.</p>
KIA-3	Landfill leachate	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.	<p>While seepage from the landfill may occur, it is expected to be minimal, given the nature of the waste (non-hazardous, of known quantity and quality) and the relatively dry climate with limited precipitation. Non-compliant seepage will be mitigated by strict management and monitoring of waste deposited. Volume of seepage generated will be minimized through landfill design and grading, supported by qualified engineering oversight. Should seepage occur it will flow southwest towards the existing mine sump and the road. Should any seepage flow through the active layer, it will discharge into the East Lake watershed, which is the receiving environment for the majority of the Ulu site run-off. Monitoring of seepage quality from the landfill is proposed to occur in accordance with the water licence monitoring program.</p> <p>Should seepage occur during operations and monitoring results indicate it is not compliant with water licence limits, the onsite engineer may direct construction of sump to collect any seepage. Seepage collected will be analyzed and, depending on results, treated on site with any runoff from the soil treatment facility (see response to KIA-6), or backhauled for treatment and disposal offsite This type of responsive management measure is typical and foreseen as it is included in the reclamation cost estimate as a water management provision.</p> <p>Blue Star commits to revise the <i>Landfill Management Plan</i> prior to the start of construction to reflect this measure.</p>

Table 1. Blue Star Gold Corp.'s response to additional party comments received in relation to 2BM-ULU1520 renewal and amendment, Ulu Gold Project (May 2020).

KIA-4	Landfill O&M	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.		<p>Blue Star agrees that it is important to outline operations and maintenance procedures. As outlined in the <i>Landfill Management Plan</i>, the proposed landfill is a simple design, the waste to be deposited is of a known quality and quantity, operations will be very simple, and the lifespan of the landfill is short, being 1-2 years, until completion of progressive reclamation; this is not an operational landfill, nor is it receiving putrescible or unidentified waste. Landfill construction and waste deposit will be directly overseen by a qualified professional, being the site engineer or reclamation manager, ensuring only identified suitable waste is deposited.</p> <p>While Blue Star is unclear on what is meant by “specific numerical limits”, Blue Star feels that the <i>Landfill Management Plan</i> adequately outlines operation and management aspects, relative to the scope and scale of the landfill.</p> <p>Having an Operations and Maintenance Manual in addition the <i>Landfill Management Plan</i> for a landfill of this scale is redundant.</p>
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Table 1. Blue Star Gold Corp.'s response to additional party comments received in relation to 2BM-ULU1520 renewal and amendment, Ulu Gold Project (May 2020).

KIA-5	Landfill Capacity		<p>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.</p>	<p><u>Regarding dust management:</u></p> <p>The landfill design includes measures for interim and final cover. As outlined in Section 6.3.2 of its landfill design memorandum, Blue Star plans to undertake studies to determine the suitability of the locally available esker material as suitable cover material. Should it be unsuitable, rockfill be used, which is not expected to generate dust. Observations of the esker stockpiles and the site indicate that the stockpiles remain stable year after year, dusting is not an issue, and the esker material is likely suitable for cover.</p> <p>Regardless, should dust become an issue during construction and operation, water will be applied as needed. Should dusting become an issue over the long term adaptive management strategies will be employed, following discussion with the NWB and parties.</p> <p>Blue Star commits to update the <i>Landfill Management Plan</i> prior to construction to include the commitment in the last paragraph above.</p> <p><u>Regarding landfill capacity:</u></p> <p>Blue Star wishes to reconfirm that the purpose of the landfill is to dispose of existing non-hazardous waste on site and will be closed following completion of progressive remediation. The volume of waste to be deposited is well understood and estimated to be 16,042 m³ (including a 20% contingency for bulking) while the total design capacity is 20,100 m³. This leaves an additional 4,058 m³, approximately 20%, for unforeseen bulking and waste material. Further, the landfill is surveyed before, during and after construction, operation and closure, with as-built drawings necessarily submitted to the NWB, supporting engineering oversight and design execution. Accordingly, Blue Star does not plan to exceed the capacity of the landfill.</p> <p>New wastes generated at Ulu associated with exploration activities are managed in accordance with the <i>Waste Management Plan</i>.</p>
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Table 1. Blue Star Gold Corp.'s response to additional party comments received in relation to 2BM-ULU1520 renewal and amendment, Ulu Gold Project (May 2020).

KIA-6	Soil Treatment Facility	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.	<p>Should the contact water in the Soil Treatment Facility Pond not meet discharge criteria, depending on the nature of the exceedance, it may be filtered through a RainDrain™ or Spill Monkey™ (hydrocarbon filter), tested and discharged to tundra via pump and hose. Should the filtrate not meet discharge criteria, it will be transported offsite to a suitable waste receiver for disposal. Conveyance will occur via pump and hose to a suitable containment or storage vessel such as clean drum.</p> <p>As stated in section 4.1 of the <i>Soil Treatment Facility Management Plan</i>, surface water discharge will occur in the vicinity of existing seeps to reduce erosion. Existing seeps in the vicinity of the waste rock pad on which the soil treatment facility will be located is identified as ULU-7 in Schedule J of 2BM-ULU1520.</p> <p>Blue Star commits to update its <i>Soil Treatment Facility Management Plan</i> prior to the start of facility operations to reflect the information provided above.</p>
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KIA-7	Soil Treatment Facility	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.	<p>As referenced in the Soil Treatment Facility Management Plan, Blue Star has proposed the use of federal government guidelines being the Canadian Council of Ministers of the Environment (2008, updated to 2018) Canada-Wide Standards for Petroleum Hydrocarbons in Soil, coarse grained soil for parkland use ecosoil contact, for fractions 1-4 as it believes these to be suitable, protective and current. These are the same guidelines referenced in the Government of Nunavut’s Environmental Guideline for Contaminated Site Remediation for fractions F1-F4 in surface soil.</p> <p>Regarding subsoil: Blue Star is proposing to use the Canadian Council of Ministers of the Environment (2008, updated to 2018) Canada-Wide Standards for Petroleum Hydrocarbons in Soil, Technical Supplement. Should the GN EPD not intervene in this process, Blue Star commits to follow-up with them in accordance with the Government of Nunavut’s Environmental Guideline for Contaminated Site Remediation, as the proposed subsoil criteria exceed the Tier 1 surface soil guidelines.</p> <p>Regarding PAHs (naphthalene and phenanthrene): Blue Star has proposed the use of the Canadian Environmental Quality Guidelines, environmental health guidelines value for agricultural land use as this is most suitable considering the potential exposure pathways.</p> <p>Accordingly, Blue Star is not considering replacing government guidelines with its own self-determined objectives.</p> <p>The proposed edits to the water licence were suggested for efficiency and to reduce potential redundancy and conflict between a management plan and the licence, with the understanding that any material changes to management plans need to be approved by the NWB. Should the NWB so choose, Blue Star is not opposed to the inclusion of suitable objectives in the water licence.</p>
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Table 1. Blue Star Gold Corp.'s response to additional party comments received in relation to 2BM-ULU1520 renewal and amendment, Ulu Gold Project (May 2020).

KIA-8	Security	<p>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.</p> <p>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</p>	<p>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.</p>	<p>Blue Star agrees that security should be held by the KIA.</p> <p>Blue Star commits to undertake a discussion with KIA regarding suitable capping of the vent raise.</p>
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Table 1. Blue Star Gold Corp.'s response to additional party comments received in relation to 2BM-ULU1520 renewal and amendment, Ulu Gold Project (May 2020).

		<p>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.</p> <p>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. 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...".</p>		
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Table 1. Blue Star Gold Corp.'s response to additional party comments received in relation to 2BM-ULU1520 renewal and amendment, Ulu Gold Project (May 2020).

KIA-8	Security	<p>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.</p> <p>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.</p>	<p>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.</p>	-
KIA-9	Security	<p>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.</p>	<p>In the short term, however, KIA recommends that the Blue Star licence be renewed with the current level of security.</p>	-