

January 23, 2026

Richard Dwyer  
Manager of Licensing  
Nunavut Water Board  
P.O. Box 119  
Gjoa Haven, NU, X0B 1J0  
E-mail: licensing@nwb-oen.ca

**Re: Comments to Water Licence Amendment Application for the Ulu Project, Type B Water License no. 2BM-2030**

Dear Richard,

Blue Star Gold Corp (BLUE STAR, or the Company) has undertaken a number of discussions with the Kitikmeot Inuit Association (KitIA) and Crown-Indigenous Relations and Northern Affairs Canada (CIRNAC) pertaining to the Interim Closure and Reclamation Plan and the submitted amended plan for the Ulu Project, Type B water license 2BM-2030. The Company is continuing along the interim reclamation path approved in 2020 and has completed substantial works outlined in the original interim plan and noted in the amended plan. At that time and currently the Company recognises that CIRNAC holds a significant portion of the reclamation security on the Type B water license which is unusual. Blue Star supports the security being held in total by the KitIA and note that the KitIA support the amended security amount.

As requested by the Nunavut Water Board (NWB) on January 14, 2026, please find below the Company's responses to comments received pertaining to the submission of the application to amend the Interim Closure and Reclamation Plan (ICRP) and related security reduction request.

Blue Star has below provided responses to the comments received from the review completed by CIRNAC dated December 15, 2025. No additional comments were received.

CIRNAC comment:

The applicant shall provide confirmation from the Nunavut Water Board that all outstanding water license fees have been paid in full prior to approval of this application.

BLUE STAR response:

Find attached the 2024 NWB Annual Reporting forms and related water use fee receipt. The 2025 Annual Reporting forms are due by March 31, 2026 which will report that all water fees for 2025 will be paid to the Kitikmeot Inuit Association (KitIA). If requested, BLUE STAR can submit the Annual Reporting forms in advance of the final reports to show that no fees will be required by NWB.

CIRNAC comment:

The largest gap in cost is the known ML/ARD issues which have not been fully quantified, are known to be generating acid and impacting water quality, and long-term management will be required. These costs are not included in the current estimates. Both reports state that \$200,000 is set aside for the short-term management of problematic areas, but long-term ML/ARD management costs are not included and could be significantly higher.

BLUE STAR response:

Note that dollar values used by the BLUE STAR cost estimation are a base of 2024 dollars that are annually inflated for use in costs for subsequent years.

An allowance was included to capture a base amount and manage the known areas of concern while a long-term management plan is researched, evaluated, drafted, and approved which is currently being undertaken as indicated in the submitted updated ICRP. Once the Company has approved this long-term waste rock management plan (LTWRMP) it will be included in a subsequent update to the NWB for approval which may also include a security revision request associated with the amended ICRP which is to include the LTWRMP.

CIRNAC comment:

The costs provided reflect the proponents operating cost and not the third-party costs required for the security estimate in case of abandonment. Several costs are developed by splitting the overall cost with concurrent exploration work which also would not be occurring in the case the site were to be reclaimed. The costs assume that onsite equipment would be used but also note that several older and critical pieces of equipment would need to be replaced. No costs for mobilization and demobilization of new equipment was included and represent a large unaccounted for liability.

BLUE STAR response:

The Company believes in executing an interim and progressive reclamation program; the project is not at the stage requiring a Final Closure Plan. BLUE STAR believes that it will be undertaking exploration at the site for the foreseeable future and continue conducting an interim and progressive reclamation approach. The Company completes exploration in parallel with reclamation activities in a timely and efficient manner that will significantly reduce security bonding for the landowner if a third party is required to remediate the site.

In addition, newer equipment was mobilised to site in May 2025 therefore no costs for equipment mobilisation are included. To further support risk for potential landowner remediation, an agreement was made between the Company and KIA that gives KitIA ownership of the equipment if the Company does not meet its reclamation objectives thereby removing the need for the landowner to mobilise additional equipment.

CIRNAC comment:

**The current final land use stated in the reclamation plan, is to leave the site in an environmentally stable condition, usable immediately for on-going exploration and ready for possibly future mining. This means the current core buildings, associated roadways and airstrip are not included within the estimate. It is stated in SJC, 2025 that “a final permanent closure plan and corresponding closure cost estimate with appropriate financial security for that plan will be addressed in future licensing of the site.” This acknowledges that additional closure funding will be required, and therefore the current financial security is insufficient for final closure.**

BLUE STAR response:

As this is an ICRP, and the existing infrastructure is to be used in the foreseeable future, costs for this remediation are not included in this interim plan. It is the Company’s position that these items will be included in a final closure plan and estimate which is deliverable if the Company becomes inactive/abandons the project.

CIRNAC comment:

**No period for Interim Care and Maintenance was included in either estimate. If the company was to become insolvent and abandon the Ulu Project, maintenance and monitoring activities would be required while transfer of the site occurred.**

BLUE STAR response:

The Company’s position is that those costs would be part of the required submission of a final closure plan with associated cost estimate.

CIRNAC comment:

In SJC, 2025 it is noted that the airstrip has deteriorated and that annual inspections and maintenance work with heavy equipment would be required before larger aircraft would be permitted to use the airstrip again. The security estimate uses a Dash 7 plane and a C-46 plane for mobilization. It is uncertain if the airstrip is in good enough condition for this type of plane. No estimate were provided for maintenance of the airstrip nor for the required improvements necessary for mobilization in or out of any equipment.

BLUE STAR response:

The draft Ulu 2025 Annual Geotechnical Inspection Report (SRK Consulting, December 8<sup>th</sup>, 2025) to be submitted with the NWB Annual Report states “The airstrip is well-maintained with no signs of cracking or erosion.”. The 2025 KitlA Department of Lands Site Inspection report dated August 7, 2025 states about the airstrip “No major improvements required from previous inspection, remains effective and in good condition.”. The 2025 CIRNAC inspection report (Water License Inspection Report, August 18, 2025) did not note any shortcomings of the airstrip.

In the 2024 KitlA Site Inspection, the author states “No major improvements required from previous inspection, remains effective and in good condition.” During the 2025 season the Company has utilised the airstrip to land, Dash 7, ATR, Twin Otter, DC-3, C-46 and C-130 aircraft. For the period of the revised ICRP and term of water licence no additional airstrip work is expected to be required. For the expected period of reclamation activity all required equipment is already on site.

CIRNAC comment:

There does not appear to be any clear mobilization cost for workers included in the estimate. The mobilization costs shown appear to be for freight only and amount to a single round trip flight for a Dash 7 plane over the six year period. This amount seems to underestimate the amount of mobilization that would be required for both freight and staff. It is noted that all fuel will need to be flown up however equipment rates include associated fuel costs so no line item has been included for mobilization of fuel. Additional clarification should be added to show that rates include mobilization of fuel and not just purchase costs.

BLUE STAR response:

The Company operates a camp with an average population of thirty persons including fuel using a weekly scheduled Dash-7 aircraft. A remediation crew is expected to be substantially smaller and therefore the weekly supply flights in the estimation are expected to adequately support third-party reclamation efforts. This can be reviewed to separate the fuel mobilisation costs and other mobilisation costs accordingly when the future amendment to the ICRP that includes the LTWRMP is submitted.

CIRNAC comment:

The current portal is being blocked by two stacked shipping containers, and the vent shaft is being blocked by a tarp-covered rockfill of unknown construction. No plans for closure of these features are included but it is noted that a permanent engineered structure will be required. This would involve both engineering design, shipment of concrete or a plant to site and construction costs, none of these are currently accounted for.]

BLUE STAR response:

The Company expects this site to be an active exploration project and potentially a mining project which may include underground activities, as such the above noted items are not part of the submitted amended ICRP for closure but are part of the annual monitoring. Final closure of the portal and vent raise will be part of the final closure plan once that is submitted.

In closing, the Company is actively exploring and reclaiming historical disturbances under the interim reclamation and progressive reclamation approach with the goal, as outlined in the submitted amended ICRP, to complete substantive remediation activities prior to the future renewal of the water license. BLUE STAR has shown commitment at the Board level, supported directly by its largest shareholder, to continue to undertake remediation activities to reduce risk to the Company, the Landowners, and the Environment.

The letter submitted by the KitlA dated November 21, 2025, states "CIRNAC's security on the project is a legacy issue that predates the formation of Nunavut, the establishment of IOL and the original mine Plan for the site." And recognises "... that Blue Star operates under a Type B water license and that CIRNAC does not hold security for any other project in Nunavut operating under a Type B water license."

The Company supports KitlA holding the security for the Ulu Project and respectfully requests a reduction of security to \$1,714, 627, which is the amount recommended by the KitlA.

Sincerely,



Grant Ewing, CEO

Mob: 604.345.4115  
[grant.ewing@bluestargold.ca](mailto:grant.ewing@bluestargold.ca)