



INSPECTOR'S DIRECTION
Pursuant to Section 87(1) of the *Nunavut Waters*
and Nunavut Surface Rights Tribunal Act, 2002

30 November 2016

Doc #:2016-KIT014-EP

ISSUED TO: Alix Resources Corp.

Attn: Michael England, President
Christopher Ecclestone, CEO
John Masters, CFO

At: #1240 – 789 West Pender Street
Vancouver, BC V6C 1H2

And: 700 - 401 West Georgia Street
Vancouver, BC, Canada, V6B 5A1

RE: *Nunavut Waters and Nunavut Surface Rights Tribunal Act, 2002*
INSPECTOR'S DIRECTION
Nunavut Water Licence No. 2BE-ARC0813

This document constitutes an Inspector's Direction to Alix Resources Corp., pursuant to subsection 87(1) of the *Nunavut Waters and Nunavut Surface Rights Tribunal Act, 2002*, hereinafter referred to as the "Act".

It is my information and belief that:

1. Alix Resources Corp. ("Alix") holds the type 'B' water licence for the Arcadia Project, 2BE-ARC0813 (the "Licence"), as assigned in 2008 from the previous licensee, Full Metal Minerals Ltd. (FMM). This licence expired on April 30, 2013.
2. Through the 2008 Assignment of the Licence, Alix accepted responsibility "...for the performance of all liabilities arising pursuant to any Licence term or condition, whether arising before or after the effective date of the assignment...". As such, references to the appurtenant undertaking include all components of Arcadia Project including the materials brought to site by, and activities carried out by FMM, and all conditions of the original Licence (NWB2ARC0507).
3. Pursuant to s.46 of the Act, expiry or cancellation of a licence does not relieve the holder from any obligations imposed by the licence.
4. Several areas of abandoned materials and waste exist as a result of the appurtenant undertaking. These areas are identified and described in the 2012 and 2016 inspection reports, and comprise generally of drill sites, the "Proposed 2005 Camp", the "Barge Site / Staging Area", the "old camp and core storage area", and the "2008 actual camp".
5. The materials at the Barge site / Staging area were at least in part brought to site by FMM, and fuel landed at this site was brought to the 2008 camp and utilized during the licence tenure, as evidenced by common shipment numbers on the barrels at both locations.
6. Alix employed a contractor in 2011 to undertake remediation of the project. The contractor consolidated some materials and wastes at the Barge site, but failed to return to site to undertake the backhaul. The contractor indicates they were not made aware of the 2008 camp location and the requirement to remediate drill sites.
7. Correspondence from 2012-2015 from Alix in response to the 2012 inspection indicated an intent to complete the work required to satisfy obligations imposed by the licence, however, to date no further work has been undertaken.
8. Notices of Non-Compliance were sent to Alix on January 30, 2015 and May 7, 2015 citing the work required, re-iterating Alix's responsibilities, and outlining the potential penalties under the Act for defaults under the licence and the Act.
9. A follow-up inspection was undertaken July 7, 2016 which confirms that Alix has failed to undertake the work as required by the 2012 inspection report, and by failing to do so is contravening s.12 of the Act by allowing the deposit of waste to waters in Nunavut, and by depositing waste under conditions in which the waste may enter waters in Nunavut:



- a. Consolidated waste at the Barge Site, which is approximately 75 m from the water of the Coronation Gulf, includes around 150 empty barrels, 25 punctured or damaged barrels of fuel and some remaining bags of drill salts. This waste has been exposed to the elements and wildlife since at least 2011. No containment was provided, and the ground is now contaminated with fuel and dissolved drill salt (Calcium Chloride). Wildlife appears to be digging in the contaminated soil, and the barrels which were previously stacked in an orderly fashion are becoming strewn about. Punctured barrels have tipped over, and one barrel of waste, whether by wildlife or wind, has rolled the short distance downhill to the water and now lies in the water of the inlet.
- b. 2008 camp: As per the 2012 inspection findings, the camp and around 35 fuel barrels and 5 propane tanks are left on-site. Numerous barrels have leaked; evidenced by the fact that the caps are still on but the barrels, found lying down, are now empty or partially empty. No secondary containment was used. This camp is located on a steep slope with very little vegetation to slow the spread of spilled fuel towards the lake.
- c. The old camp and core storage area was partially remediated; however, a pile of barrels has been left near to the stream.

Based on the facts set out above, I have reasonable grounds to believe that:

- a) Alix Resources Corp., is, or may be, depositing waste in contravention of subsection 12(1) of the *Nunavut Waters and Nunavut Surface Rights Tribunal Act*, and has failed to comply with water licence 2BE-ARC0813 and approved plans;

AND THAT

- b) The adverse effects of that deposit or failure are causing, or may cause, a danger to persons, property or the environment.

MEASURES TO BE TAKEN

Pursuant to section 87 (1) of the *Nunavut Waters and Nunavut Surface Rights Tribunal Act*, and based upon the above grounds, I hereby direct **Michael England** and **Christopher Ecclestone, Alix Resources Corp.**, its principles, agents, employees, and/or contractors to undertake the following measures:

1. Confirm receipt of this Direction immediately.
2. Hire appropriately experienced personnel to determine the extent of contamination and the remediation required at the areas affected by the appurtenant undertaking (including but not limited to those areas identified above).
3. Remove all waste from all areas affected by the appurtenant undertaking, particularly where waste may enter or has entered water.
4. Remediate contaminated areas resulting from the appurtenant undertaking.
5. Provide to the Inspector by June 01, 2017 a workplan for items 2-4, that includes the anticipated dates to conduct the work, and confirmation of the person (and their qualifications) who will supervise the work. Note that the reclamation/remediation work must be carried out during the summer of 2017. Backhaul may be scheduled for winter of 2017-18, with approval of the Inspector. Materials consolidated for backhaul must be stored in a manner that prevents further contamination and that will be fully removable in the winter months.
6. Confirm with the inspector verbally or in writing when the work begins. An update is to be provided every 2 weeks starting June 1, 2017, until completion of the reclamation/remediation work. This work must be completed in 2017. Notification is to be provided immediately upon completion.
7. Submit such photographs and reports of the work undertaken as are required by the Inspector forthwith, demonstrating the completion of the reclamation and remediation of the Arcadia Project components, by no later than September 30, 2017. This report must include the coordinates and photographs of any materials stored for later backhaul.
8. Demonstrate to the Inspector that a contract is in place to conduct the backhaul of materials by no later than March 15, 2018 (preferably earlier). Backhaul and final cleanup must be completed by April 30, 2018 and a report, with photographs, showing the final removal of materials must be received by the Inspector by May 15, 2018.



If you fail to comply with this Direction, an INAC Water Resources Officer duly appointed under the Act may take the measures referred to and may, for that purpose, enter any place in Nunavut, other than a place that is designed to be used and is being used as a permanent or temporary private dwelling-place. Any portion of the reasonable costs incurred by Her Majesty in right of Canada for such action may be recovered as a debt due to Her Majesty from you.

Failure to comply fully or in part with an Inspector's Direction constitutes an offence under subsection 90 (1) of the *Nunavut Waters and Nunavut Surface Rights Tribunal Act* and may entail, upon summary conviction, a fine of \$250,000 or to imprisonment for a term of one year, or both. Every type B licensee who contravenes any condition of the licence is guilty of an offence under subsection 90.2 (1) and is liable on summary conviction to a fine not exceeding \$37,500 or to imprisonment for a term not exceeding six months, or both.

Further, pursuant to section 90.3 of the *Nunavut Waters and Nunavut Surface Rights Tribunal Act*, each day on which the Inspector's Direction is not complied with shall be considered a separate offence.

Please be aware that **Michael England** and **Christopher Ecclestone, Alix Resources Corp.**, its principles, agents, employees, and/or contractors, involved with any work to remedy the deficiencies identified above may be held responsible under the *Nunavut Waters Act* and *Nunavut Surface Rights Tribunal Act* or any other Act where acts or omissions that do not exercise due diligence occur. This includes but is not limited to uncontrolled spills or unauthorized discharges of waste.

CONCLUSION

This Direction is **WITHOUT PREJUDICE** to any further course of action that INAC may take with respect to any contravention of the *Nunavut Waters and Nunavut Surface Rights Tribunal Act*, including an amended or subsequent Inspector's Direction, prosecution or injunction under any Act.

This Direction and the circumstances to which it refers will form part of INAC's records for Alix Resources Corp. and its responsible officials and will be taken into account in future responses to alleged contraventions of the *Nunavut Waters and Nunavut Surface Rights Tribunal Act* and for internal purposes such as setting the frequency of inspections. INAC will consider taking further action if you do not take all necessary corrective steps to comply.

INAC will be conducting further inspections of the site to verify compliance under the Act and with the Inspector's Direction.

This Direction is issued in accordance with the *Nunavut Waters and Nunavut Surface Rights Tribunal Act*. The complete text of the *Nunavut Waters and Nunavut Surface Rights Tribunal Act* is available at the Department of Justice website: <http://lois-laws.justice.gc.ca/eng/acts/N-28.8/index.html>. The complete text of the Water Licence is available at the Nunavut Water Board Public Registry, which may be accessed through the Board's website: <http://www.nwb-oen.ca/public/>.

If you require further information, have any questions or concerns, or wish respond to the alleged facts contained in this Direction, please call or write to the undersigned at (867) 669-2438 or Eva.Paul@aadnc-aadnc.gc.ca. Your comments will be considered, and where appropriate, a response provided. Any comments you make, as well as INAC's response, will be maintained on file with this Direction in INAC's records.

Eva Paul
Water Resource Officer
Field Operations, INAC

Cc: Manager of Licensing, Nunavut Water Board
Erik Allain, Manager of Field Operations, INAC
David Rochette, Regional Director General, Nunavut Regional Office, INAC
Wynter Kuliktana, Sr. Lands Officer, Kitikmeot Inuit Association