



WATER LICENCE INSPECTION FORM

☒ Original
☐ Follow-Up Report

| | | | |
|--|--|---------------------------------|--|
| Licensee | | Licensee Representative | |
| Bonito Capital Corps | | - | |
| Licence No. / Expiry | | Representative's Title | |
| 2BM-ULU1520 | | - | |
| Land / Other Authorizations | | Land / Other Authorizations | |
| - | | - | |
| Date of Inspection | | Inspector | |
| 15/07/2015 | | Eva Paul | |
| Activities Inspected | | | |
| <input checked="" type="checkbox"/> Camp | <input checked="" type="checkbox"/> Drilling | <input type="checkbox"/> Mining | <input type="checkbox"/> Construction |
| <input type="checkbox"/> Roads/Hauling | <input type="checkbox"/> Other: | | <input type="checkbox"/> Reclamation |
| | | | <input checked="" type="checkbox"/> Fuel Storage |

| Conditions: | A - Acceptable | C - Concern | U - Unacceptable | NA – Not Applicable | NI – Not Inspected | | | |
|--|----------------|-------------|--|---------------------|--------------------|--------------------|-----------|---------|
| Water Use | Condition | Comment | Site Conditions | Condition | Comment | Haz/Mat Management | Condition | Comment |
| Intake/Screen | NI | | Water Management Structures | C | 4 | Storage | U | 2 |
| Flow Measure. Device | NI | | Culverts / Bridges | C | 5 | Spills | U | 3 |
| Source: West Lake | A | | Drainage | C | 5 | Spill Plan | U | 3 |
| Water Use: | NA | | Erosion / Sediment | U | 5 | | | |
| Recirculation (y /n) | NA | | Mitigation Measures | U | 6 | Administrative | | |
| | | | Reclamation Activities | U | 7 | Records | C | 9 |
| | | | Materials Storage | A | | Reports | U | 10 |
| Waste Disposal | | | Signage | NI | | Plans | U | 11 |
| Waste Water | NI | | | | | Notifications | NI | |
| Solid Waste | U | 1 | Monitoring | Other | | | | |
| Hazardous Waste | U | 1,2 | Sample Collection / Analysis | C | 8 | | | |
| | | | | | | | | |
| *The number in the comments field will correspond with specific comments provided below. | | | | | | | | |
| Samples taken by Inspector: | | | Location(s): Water samples taken at ULU-1 (West Lake) and at a puddle below the Ore stockpile (ULU-8 (N66 54 18.8 W110 58 16.7)). Soil samples taken from the hydrocarbon trail flowing from the refueling pad (N66 54 30.8 W110 57 54.1). | | | | | |
| <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No | | | | | | | | |

| | | | |
|--|--|--|---|
| SECTION 1 | <input checked="" type="checkbox"/> Comments (s.1) | <input checked="" type="checkbox"/> Non-Compliance with Act or Licence (s.2) | <input checked="" type="checkbox"/> Action Required (s.3) |
| <p>I conducted an inspection of the Ulu site on July 15, 2015. No one was present at site at the time of the inspection. Salient issues from past inspections will be referenced in the comments below, and include the following:</p> <p>2013 and 2014 - uncovered and uncontained hazardous waste (eg-mine storage pad) 2014 – spills unaddressed, particularly off the fuel storage pad 2013 – restoration of drill sites (cut or remove casings) 2013 – waste and waste storage areas to be clearly identified</p> <ol style="list-style-type: none">Waste and waste storage areas remain unidentified and waste (particularly potentially-hazardous waste) is not being stored according to the Waste Management Plan. Unmarked barrels of unidentifiable waste (with staining underneath) remain to the east of the helipad [Photos 1 and 2] and at the mine storage pad [Photo 3]. Three barrels containing a salt-like substance were noted beside the road to the west of the main site [N66 54 26.3 W110 58 21.3][Photo 4]. All barrels containing hazardous, or unknown (potentially hazardous) waste need to be moved into containment, at a minimum, until proper disposal. A comparison from 2014 to 2015 does show that LMI has moved some barrels into the main tank farm berm and/or the fuel storage pad/apron [Photos 5 and 6].While the 2014 Annual report states that: “Relocated barrels of contaminated soils from the mine storage pad to the lined barrel storage next to the camp fuel farm...”; and correspondence from Mr. Downey on December 9, 2014 indicates in separate comments that “All the fuel is in now within the containment area” and that “All barrels have been moved to the containment area”, there remain several barrels of hazardous waste and contaminated soil at the mine storage pad. Specifically noted were fuel filters, oily waste, metals and soil [Photos 3, 6, 7 and 8]. The comparison of overhead photos from 2014 to 2015 shows that some barrels were removed, however, several yet remain, and no cleanup of the contamination below this waste stockpile was undertaken. The barrels remain uncovered, partially filled with water, and at risk of overtopping and causing the spread of contaminated water and leachate. In addition to the mine storage pad, the fuel storage pad/apron remains an issue. A mixture of new and old fuels and waste are stored on this pad, and while the pad is lined, it is evidently not containing the hydrocarbons spilled within it (as noted in 2014) [Photos 9-11]. It might have served as a temporary mitigation measure; however, it is proving now to be a problem, and it does not meet the licence’s definition of secondary containment (see definition provided in the licence 2BM-ULU1520).Spills are not being addressed in accordance with the Spill Contingency Plan or the Licence. The contamination spreading from the fuel storage pad/apron was raised as an issue in 2014, and has worsened since that time. Surface samples were taken at the time of this inspection confirming that the visible trail is caused by the spread of hydrocarbons. A comparison of the area from 2013 to 2015 [Photos 9-11] shows the pooling of hydrocarbon at the low end of the pad, and the progression of the spread of contamination leaving the pad. | | | |



4.

The liner for the Retention Pond has slipped on the east side and much of the liner is exposed. As identified in the geotechnical inspection, it is not an immediate issue unless that pond is required for use.
5.

Wash-outs were noted along the road between the airstrip and camp, particularly in two areas that appear to be drainages with culverts [Photos 12-13]. Sediment trails are evident; no sediment control measures were visible.
6.

Mitigation measures are not being implemented to limit the impacts of this site on the receiving environment: monitoring activities, implementation of the spill contingency plan, sediment control measures etc.
7.

Drill holes have not been restored to pre-disturbance conditions. Numerous drill collars are visible in the vicinity of the site. This was identified in the 2013 inspection and has not yet been addressed.
8.

No monitoring reports have been filed on the NWB FTP site since March 2015. It is my interpretation of 2BM-ULU1520, Schedule J, that monitoring of ULU-7 and ULU-8 is to be conducted even when the site is inactive (twice in the open-water period), and reports submitted within 30 days.
9.

On January 16 and 19, 2015, I requested clarification on several aspects of the 2014 activities as reported in the August and September reports. I do not have a response on file. I requested clarification on the actual activities that were conducted, how domestic waste was treated, and the volume of water used. As reported, water usage for September 2014 exceeds the licenced amount of 100m³ per day.
10.

Despite the requirement for monthly monitoring at stations ULU 8-through-11, no 2014 monitoring results were submitted with the annual report. The annual report also offered an opportunity to provide the clarification requested by the Inspector as per (9), but no further information was provided.
11.

As per Part J Item 8 of the licence, BCC was to resubmit the QA/QC plan within 60 days following licence issuance with a confirmatory letter from an accredited laboratory. I do not see this document on file.

SECTION 2

☐ Comments

☒ Non-Compliance with Act or Licence

☐ Action Required

2BM-ULU1520:

C.6 and 7- The Licensee shall provide erosion and sediment control measures.

E.3- All sumps and fuel caches shall be located at a distance of at least thirty-one (31) metres from the ordinary High Water Mark of any adjacent water body and **inspected on a regular basis**.

E.4-The Licensee shall provide secondary containment for hazardous materials and fuel storage areas.

I.13-The Licensee shall restore all drill holes and disturbed areas to natural conditions immediately upon completion of the drilling or trenching. The restoration of drill holes must include the removal of any drill casing materials.

J.8- The Licensee shall, within sixty (60) days following issuance of the Licence, resubmit to the Board for review the QA/QC Plan, along with a confirmatory letter from an accredited laboratory.

SECTION 3

☐ Comments

☐ Non-Compliance with Act or Licence

☒ Action Required

1.

Please provide a response to my questions of January 16 and 19, 2015, by November 30, 2015.
2.

The revised QA/QC plan and letter as required by the licence are to be submitted to the Board by November 30, 2015.
3.

A complete list of drill holes (with GPS coordinates) associated with this project (drilled by past and current operators) is to be provided to the Inspector. Please identify any holes that are known to be reclaimed according to the terms of the licence. This list is to be provided by January 31, 2016.
4.

Establishment (and regular maintenance) of sediment control measures to prevent further sediment loading of streams that have been affected by road deterioration. These measures are to be put in place at freshet 2016.
5.

All hazardous (and unknown) waste is to be moved into SOUND secondary containment that meets the definition of ‘secondary containment’ in the current licence 2BM-ULU1520. This is to be completed by June 30, 2016.
6.

All barrels of fuel are to be moved into SOUND secondary containment that meets the definition of ‘secondary containment’ in the current licence 2BM-ULU1520. This is to be completed by June 30, 2016.
7.

Spills are to be reported and addressed according to the approved Spill Contingency Plan. Steps are to be taken to a) stop the flow of hydrocarbons from the fuel storage pad, b) prevent any further migration of hydrocarbons down-slope from the fuel storage pad, and c) remediate the affected area. This work is to be completed by July 31, 2016 and a confirmatory report submitted to the inspector by August 15, 2016.

| | |
|----------------------------|---------------------|
| Licensee or Representative | Inspector's Name |
| - | Eva Paul |
| Signature | Signature |
| - | Sent electronically |
| Date | Date |
| - | 20/10/2015 |

CC:

Phyllis Beaulieu, Manager of Licensing, NWB

Erik Allain, Manager of Field Operations, AANDC

Tannis Bolt, Project Officer, Kitikmeot Inuit Association

Att: Photo Log – July 15, 2015



PHOTO LOG

| Date | Camera | Inspector | Authorization |
|----------------|----------------|-------------------------------|---------------|
| July 15, 2015 | SONY DSC-HX50V | Eva Paul | 2BM-ULU1520 |
| Photo Log # 1 | | Location (NAD 83 DD MM SS.SS) | |
| Photo DSC03429 | | N66 54 29.8 | W110 57 49.3 |



Description: Barrels of unknown waste and staining on the ground found east of the heli-pad.

| | | |
|----------------|-------------------------------|--------------|
| Photo Log # 2 | Location (NAD 83 DD MM SS.SS) | |
| Photo DSC03434 | N 66 54 29.7 | W110 57 49.5 |



Description: Unknown waste east of the heli-pad.



Photo Log # 3

Photo DSC03446

Location (NAD 83 DD MM SS.SS)

N66 54 22.5

W110 58 8.9



Description: Barrels and staining of the ground seen at the mine storage pad. See Photos 5 and 6 for aerial extent.

Photo Log # 4

Photo DSC03488

Location (NAD 83 DD MM SS.SS)

N66 54 26.3

W110 58 21.3



Description: One of three barrels of a salt-like substance found by the road at the above coordinates.

Photo Log # 5

Location (NAD 83 DD MM SS.SS)

Photo DSC00536

NW




Description: Aerial photo of the mine storage pad taken July 13, 2014 by Eva Paul.

Photo Log # 6

Location (NAD 83 DD MM SS.SS)

Photo DSC03340

NW



Description: 2015 aerial photo of the mine storage pad. Also see photo 3.

Photo Log # 7

Location (NAD 83 DD MM SS.SS)

Photo DSC03447

N66 54 22.4

W110 58 09.0



Description: Waste barrels at the mine storage pad. Unknown covered waste, oil filters, pallets where waste was removed, and staining is visible on the ground.

Photo Log # 8

Location (NAD 83 DD MM SS.SS)

Photo DSC03451

N66 54 22.1

W110 58 09.5



Description: Waste barrels at the mine storage pad. Several barrels of soil (possibly contaminated) and metal waste.

Photo Log # 9

Photo DSC00282

Location (NAD 83 DD MM SS.SS)

NW




Description: Fuel storage pad and main tank farm July 5 2013 (photo by Eva Paul). Some hydrocarbon trail was visible from the pad but did not catch my attention at the time.

Photo Log # 10

Photo DSC00538

Location (NAD 83 DD MM SS.SS)

NW



Description: Fuel storage pad July 12 2014 (photo by Eva Paul). Hydrocarbon trail from the fuel storage pad was greatly increased from the previous inspection. It was raised as an issue in the 2014 report, and BCC was instructed to remedy the spill according to the spill contingency plan.

Photo Log # 11

Photo DSC03376

Location (NAD 83 DD MM SS.SS)

N

W



Description: Fuel storage pad and main tank farm July 15 2015. No action was taken to address the hydrocarbons leaking from this area. Samples taken during this inspection confirm that the trails are caused by hydrocarbons. Staining within and outside the pad is more extensive and trails are expanded. More barrels have been brought to the pad since the 2014 inspection.

Photo Log # 12

Photo DSC03294

Location (NAD 83 DD MM SS.SS)

N66 51 59.75

W111 00 14.6 (approximate, taken while flying)



Description: Wash out on the road from site to the airstrip. Note the trail of sediment apparent on downstream side.

| Photo Log # 13 | | Location (NAD 83 DD MM SS.SS) | |
|---|--|-------------------------------|--|
| Photo DSC03295 | | N66 52 11.9 | W111 00 14.9 (approximate, taken while flying) |
|  | | | |
| Description: Wash out (2) on the road from site to the airstrip. Note the trail of sediment apparent on downstream side. | | | |