



WATER LICENCE INSPECTION FORM

☒ Original  
☐ Follow-Up Report

Licensee		Licensee Representative	
Bonito Capital Corp. / Mandalay Resources		Karyn Lewis	
Licence No. / Expiry		Representative's Title	
2BM-ULU1520			
Land / Other Authorizations		Land / Other Authorizations	
IOL			
Date of Inspection		Inspector	
July 06-07, 2016		Eva Paul	
Activities Inspected			
<input checked="" type="checkbox"/> Camp	<input type="checkbox"/> Drilling	<input type="checkbox"/> Mining	<input type="checkbox"/> Construction
<input checked="" type="checkbox"/> Roads/Hauling	<input checked="" type="checkbox"/> Other: Care + Maintenance		<input type="checkbox"/> Reclamation
		<input type="checkbox"/> Other:	<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	NA		Water Management Structures	U	1,3	Storage	U	9
Flow Measure. Device	NA		Culverts / Bridges	U	4	Spills	U	9
Source: West Lake	NA		Drainage	C	4	Spill Plan	U	9
Water Use:	NA		Erosion / Sediment	U	4			
Recirculation ( y /n)	NA		Mitigation Measures	U	5	Administrative		
			Reclamation Activities	U	6	Records	A	
			Materials Storage	U	7	Reports	U	10
Waste Disposal			Signage	U	2	Plans	NI	
Waste Water	U	1				Notifications	NA	
Solid Waste	U	2	Monitoring			Other		
Hazardous Waste	U	2	Sample Collection / Analysis	U	8			
*The number in the comments field will correspond with specific comments provided below.								
Samples taken by Inspector:			Location(s): Portal water, hydrocarbon-contaminated soil as described in (9).					
<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 was present on site at Ulu Gold Project both July 6 and 7, 2016 for the purposes of inspection and water sampling under the Nunavut Waters and Nunavut Surface Rights Tribunal Act and BCC's water licence 2BM-ULU1520. Also in attendance was Dovreshin MacRae of Environment and Climate Change Canada. No representatives of BCC were present at the time, and no water was being used. General condition of the site is deteriorating, as work or maintenance at site has been minimal for the last several years. It is my understanding that no work or maintenance was conducted at Ulu in 2015, only the mandatory geotechnical inspections.</p> <p>As such, the work identified in the 2015 inspection (attached) was not undertaken at the time of the 2016 inspection. Further, the 2015 report references work outstanding from the 2013 and 2014 inspection reports, that also remains outstanding. The physical conditions at site and the compliance status of this licence are unsatisfactory.</p> <ol style="list-style-type: none"><li>The water in the portal entrance was very high at the time of the inspection. Discharge lines were set up from the portal, assumedly to conduct a discharge, however, no samples or notification of discharge had been provided to me at that time (or was subsequently provided). The liner of the retention pond has slipped at one end. If the licensee intends to use this pond, which seems likely by the pump and hoses leading into it, the liner should be repaired.</li><li>As per the 2015 report: "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... and at the mine storage pad... there remain several barrels of [potentially] hazardous waste and contaminated soil at the mine storage pad..." Conditions remain unchanged in 2016.</li><li>The dock at the West Lake water intake facility is in disrepair, and at risk of becoming debris in the lake. It should be removed before the situation worsens.</li><li>Road wash-outs as described in the 2015 report have not been addressed. Culverts may require maintenance to restore flow of streams. No sediment control measures have been implemented since 2015 inspection.</li><li>No mitigation measures have been put in place to address impacts of this site on the receiving environment: monitoring activities, implementation of the spill contingency plan, sediment control measures etc.</li><li>As per the 2015 report: "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."</li><li>As a result of lack of maintenance, site conditions are deteriorating. The large Quonset has torn open, exposing the materials and equipment stored therein.</li><li>No results were submitted for monitoring of ULU-8, which should be sampled twice annually during open water period.</li><li>As per inspection reports from 2013-2015, the hydrocarbon contamination spreading from the fuel storage pad/apron has not been addressed. Nor has it yet been reported. A GPS track of the visible perimeter of the stain was taken, and calculated the visible affected area as 2288.2 ft<sup>2</sup> (212.5m<sup>2</sup>). The affected area below the sand surface is unknown at this point, but is likely the depth of the active layer. Shallow samples of the stained sand were taken at 25 m and 32 m</li></ol>			



downslope of the fuel storage pad, and confirm F3 (C16-C34) concentrations of 3740 and 9690 mg/kg respectively (2.2x and 5.7x the CCME Tier 1 levels for coarse-grained soils (commercial/industrial)). F4 (C34-C50) concentration of the second sample also surpasses CCME Tier 1 level for residential/parkland at 2970 mg/kg, 32 m downslope of the fuel storage pad. These F3 levels are HIGHER than the samples taken in 2015 which were taken at 13 m downslope of the fuel storage pad. Staining within the storage pad is also more pronounced than in 2015.

10. A list of drill holes was submitted to the Inspector in November 2015. In the accompanying report, the Licensee states “As far as we are aware all holes have been reclaimed.”, despite photographs and reports that I have submitted from 2013-2015 that demonstrate otherwise. Additionally, the Licensee acknowledged and agreed to remedy the hydrocarbon leaking from the fuel storage pad, but has reported no unauthorized discharges in the last four annual reports. The Licensee is reminded that false or misleading statements given to an inspector constitute an offence under the Act.

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.
- E.7- The Licensee shall employ the Spill Contingency Plan, report spills, contain and clean up spills.
- 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.
- 1.15- All disturbed areas shall be contoured and stabilized upon completion of work and restored to a pre-disturbed state.
- J.1- Failure to conduct monitoring as described in Schedule J.
- J.10- Failure to submit monthly monitoring summary reports.
- J.11- Failure to submit required monitoring data in 2015 annual report.

SECTION 3

☐ Comments

☐ Non-Compliance with Act or Licence

☒ Action Required

- A. Provide confirmation in writing by November 15, 2017, of those activities carried out in 2016 (a list of priorities was sent to BCC on September 9, 2016).
- B. Review the 2013-2015 inspection reports, and create a work plan for 2017 that will address all of the outstanding work, and including the items identified below. This work plan is to be submitted to the Inspector for review and approval by **January 31, 2017**. Failure to address these deficiencies according to the approved plan will result in enforcement action.
- C. Conduct a visual assessment of all culverts on site, and provide a report including: GPS coordinates of each, culvert condition, whether flow is possible or obstructed in any way. This report shall be submitted to the inspector by **September 30, 2017**.
- D. Conduct a visual inventory of all the known drill holes, as per the list provided to the inspector in 2015 (approximately 365 holes). Each drill hole shall be inspected for compliance with Part I items 13 and 15, and any other relevant conditions of the licence. The Licensee shall reclaim each hole that does not satisfy these conditions to a pre-disturbed state, including contouring, cutting of drill casings or collars flush with the ground, and any other remediation required (spills, debris etc). The Licensee shall complete this work over the next **one (1) to three (3) years**, with a minimum of one third to be completed each year, beginning in 2017. A table shall be submitted to the inspector by **June 01** of each year, beginning in 2017, that lists the drill holes to be inspected in that year by hole number and location, and the dates the work will be undertaken. The Licensee shall submit by **September 30**, of each year, beginning in 2017, a table that describes each drill hole completed by number; location; whether it satisfied the licence conditions; and where no, confirmation that the hole was reclaimed. Photographs before and after are encouraged. Work is to be conducted in the snow-free season.

Licensee or Representative	Inspector's Name
	Eva Paul
Signature	Signature
	Sent electronically
Date	Date
	October 20, 2016

Office Use Only: Follow-up report to be issued by Inspector

☐ Yes ☒ No

CC: Licensing Department, NWB  
Erik Allain, Manager of Field Operations, INAC  
Wynter Kuliktana, Kitikmeot Inuit Association

Att: 2BM-ULU1520 REPORT OF JULY 15 2015 INSPECTION  
9/7/16 E-mail: Priorities for Ulu





PHOTO LOG

Date	Camera	Inspector	Authorization
July 6 2016	SONY DSC-HX50V	Eva Paul	2BM-ULU1520
Photo Log # 1		Location (NAD 83 DD MM SS.SS)	
Photo DSC05610		N66 54 26	W110 58 04



**Description:** Ulu portal with appreciably more water than in recent years. Also note the large Quonset (upper right) is torn open.

Photo Log # 2	Location (NAD 83 DD MM SS.SS)
Photo DSC05632	N66 54 26      W110 58 04



**Description:** Ulu portal, with piping and hoses visible, assumedly set up for a discharge.





Photo Log # 3

Photo DSC05631

Location (NAD 83 DD MM SS.SS)

N66 54 27      W110 58 02



06 07 2016

Description: Retention pond next to the portal. Liner is exposed and has not been repaired.

Photo Log # 4

Photo DSC05609

Location (NAD 83 DD MM SS.SS)

N66 54 18      W110 58 13 (approximate, from air)



06 07 2016

Description: Barrels of assorted and potentially hazardous waste remain on the mine storage pad. Other waste (not shown here) remains elsewhere on site, including the waste rock storage pad, and near the helipad.





Photo Log # 5

Photo DSC05613

Location (NAD 83 DD MM SS.SS)

N66 54 30      W110 57 41 (approximate, from air)



Description: Assorted waste on the site's periphery.

Photo Log # 6

Photo DSC05620

Location (NAD 83 DD MM SS.SS)

N66 54 28      W110 57 53 (approximate, from air)



Description: Staining caused by unknown wastes, as shown in previous inspection reports.





Photo Log # 7	Location (NAD 83 DD MM SS.SS)
Photo DSC05621	N66 54 31 W110 57 58
	
Description: Vehicle batteries left beside the truck, exposed to the elements.	

Photo Log # 8	Location (NAD 83 DD MM SS.SS)
Photo DSC05606	N66 54 19 W110 59 03 (approximate, from air)
	
Description: The dock does not appear to be fixed in place.	





Photo Log # 9

Photo DSC05601

Location (NAD 83 DD MM SS.SS)

N66 51 35      W111 00 30 (approximate, from air)



Description: Ponding beside the road is causing slumping; potential permafrost degradation.

Photo Log # 10

Photo DSC05598

Location (NAD 83 DD MM SS.SS)

N66 54 17      W111 00 30 (approximate, from air)



Description: Washed out sections of road as discussed in 2015. No silt fencing or mitigation has been put in place.





Photo Log # 11

Photo DSC05600

Location (NAD 83 DD MM SS.SS)

N66 52 04

W111 00 28 (approximate, from air)



**Description:** As photo 10. No mitigation measures are in place, and no repairs were conducted in 2015 as was proposed in the annual report.

Photo Log # 12

Photo DSC05619

Location (NAD 83 DD MM SS.SS)

N66 54 30

W110 58 01 (approximate, from air)



**Description:** "Closeup" view of fuel trail spreading from the fuel storage pad.





Photo Log # 13	Location (NAD 83 DD MM SS.SS)	
Photo DSC05618	N66 54 30	W110 58 01 (approximate, from air)



**Description:** Comparative photo of the staining within the fuel storage pad (compare to next photo, taken in 2015).

Photo Log # 14	Location (NAD 83 DD MM SS.SS)	
Photo DSC03376 (July 15 2015)	N66 54 35	W110 57 44 (approximate, from air)



**Description:** 2015 aerial view of the fuel storage pad; staining within the pad is less extensive than this year.