



WATER LICENCE INSPECTION FORM

☒ Original  
☐ Follow-Up Report

Licensee		Licensee Representative	
Bonito Capital Corp		Mathieu Beaudoin (Discovery Mining Services)	
Licence No. / Expiry		Representative's Title	
2BM-ULU1520		Contractor	
Land / Other Authorizations		Land / Other Authorizations	
Date of Inspection		Inspector	
11/07/2017		Eva Paul	
Activities Inspected			
<input checked="" type="checkbox"/> Camp	<input type="checkbox"/> Drilling	<input checked="" type="checkbox"/> Mining	<input type="checkbox"/> Construction
<input checked="" type="checkbox"/> Roads/Hauling	<input type="checkbox"/> Other:	<input type="checkbox"/> Other:	<input checked="" type="checkbox"/> Reclamation
<input checked="" type="checkbox"/> Fuel Storage			

Conditions:	A- Acceptable	U-Unacceptable	C-Concern	NI-Not Inspected	NA- Not applicable
PART:	Item No.*	Condition	Comment No.*		
A: SCOPE, DEFINITIONS AND ENFORCEMENT		A			
B: GENERAL CONDITIONS	2	A	1		
B: GENERAL CONDITIONS	12	A	2		
C: CONDITIONS APPLYING TO WATER USE		A	3		
D: CONDITIONS APPLYING TO WASTE DISPOSAL	5	A	4		
D: CONDITIONS APPLYING TO WASTE DISPOSAL	10	C	5		
E: CONDITIONS APPLYING FOR SPILL CONTINGENCY PLANNING	4	U	6		
E: CONDITIONS APPLYING FOR SPILL CONTINGENCY PLANNING	7	U	7		
F: CONDITIONS APPLYING TO DRILL OPERATIONS		A			
G: CONDITIONS APPLYING TO MODIFICATIONS AND CONSTRUCTION		A			
H: CONDITIONS APPLYING TO OPERATION AND MAINTENANCE		A	8		
I: CONDITIONS APPLYING TO ABANDONMENT AND RESTORATION OR TEMPORARY CLOSING	13	C	9		
J: CONDITIONS APPLYING TO THE MONITORING PROGRAM		C			
<i>*The item number corresponds with specific conditions within the licence and the comment number corresponds with specific comments provided below.</i>					
Samples taken by Inspector:		Location(s):			
<input type="checkbox"/> Yes <input checked="" 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 a compliance inspection at Ulu Gold Project, water licence 2BM-ULU1520. BCC has received temporary authorization from KIA to attend site to undertake Care and Maintenance activities, and to address environmental priorities identified in past inspection reports. Wynter Kuliktana and Tannis Bolt of KIA traveled to site with me and conducted an inspection as well. We conducted aerial inspections of the entire site, comprising Camp 3, the road and airstrip, East and West Lakes, and the main camp/mine site. On the ground, we were met by Mathieu Beaudoin of DMS. He accompanied me for the inspection; DMS has been contracted by BCC to undertake the work required at site. All photos of my inspection were provided to Karyn Lewis upon my return to Lupin, as she was unable to accompany me to Ulu.</p> <ol style="list-style-type: none"><li>It is my understanding that the amount of security held by the Minister is \$1,685,210, and not the \$1,685,542 as set in the licence.</li><li>It is noted that in the 2016 Annual Report, BCC mentions certain plans submitted in 2015 that are awaiting approval of the Board. Where an addendum was required by the licence, BCC may proceed with implementation of the plans if no further comments were received with respect to those submitted plans. The WMP, the SCP, the CMP, the STP OMP, and the ICRP should be deemed approved at this time.</li><li>The licensee, and its contractors, are authorized to use water from West Lake up to 100 m<sup>3</sup> per day. At the time of the inspection, three people were opening up the site, and did not yet have the water intake active. A separate pump may also be used if the full water intake system is not deemed practical.</li><li>The water in the portal has not been discharged in at least 2 years. The levels are quite high. I recommend that the portal water be sampled proactively so that its composition is known, in case there is the need to treat it before discharge. There is also an expectation that the ponded water be dewatered annually as part of general Care and Maintenance.</li><li>Erosion/maintenance issues on the road to Camp 3 appear to be caused by compromised drainage on the up-slope side of the road. An inspection by a geotechnical engineer should be undertaken to determine the best course of action.</li><li>The pad beside the main tank farm does not constitute secondary containment. It was designed as a loading/unloading apron and not for storage. Further, it is known to be already full of contaminated soils. Use of this pad is to be immediately discontinued and fuel barrels placed in proper secondary containment.</li></ol>			



7. The hydrocarbons spreading from the above-mentioned apron have been in evidence since my first inspection at Ulu in 2012 (see attached photo). It has been noted specifically in my reports since 2014 that the Spill Contingency Plan was to be employed in respect of this issue. The employment of an absorbent boom at the toe of the apron in September 2016, and the removal of hazardous waste from the pad was the first action taken in more than 2 years. However, the Licensee has still failed to file a spill report despite being repeatedly told to do so. I have informed Ms. Lewis that if a spill report is not filed by July 31 2017, I will file the report on behalf of the Licensee. When I arrived to site for this inspection, the boom was removed and sitting off to the side, however, the contractors on-site had put stakes in the ground at the bottom visible edge of the contamination, and had already filled 12 205L drums of contaminated soil.
8. As noted within the updated STP OMP that, if the STP is to be brought into operation, that discharge to the environment cannot occur until the plant is operating fully and effluent meets discharge criteria. It has also been noted in past inspections that the facility itself has sustained damage and will not be useable until repairs are undertaken. The incinerator is also out-of-service. Current management of waste is acceptable; backhauling all human and camp waste off of site. Waste is to be backhauled within the season.
9. A plan for the remediation of all historic drilling of the project was requested as a result of the 2016 inspection. A plan for 2017 was to be submitted June 1, 2017 and has not yet been received.
10. No sampling has been undertaken at ULU-7 and ULU-8 since the licence issuance. A concerted effort should be made to identify any seeps that can be sampled for the purposes of this monitoring.

SECTION 2

☐ Comments

☒ Non-Compliance with Act or Licence

☐ Action Required

- 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.

SECTION 3

☐ Comments

☐ Non-Compliance with Act or Licence

☒ Action Required

- This report should be read in conjunction with 2015 and 2016 reports in order to ensure all outstanding requirements are met.
- A. Correct the disparity between the amount of security held in respect of this project, and the amount identified in the licence.
- B. Conduct sampling of the portal water to verify compliance with discharge criteria, and undertake discharge (with notification to the Inspector) before the end of this season.
- C. Maintenance issues with respect to the roads should be examined in light of site drainage issues, and in conjunction with the report on culverts to be submitted by September 30, 2017. If possible, before the end of the season, implement the recommendations of the engineer that will improve the integrity of the roads and reduce erosion and sediment issues.
- D. Immediately discontinue use of the apron beside the tank farm that has been used for barrel storage. Contaminated soil is to be removed and managed according to the SCP. Further contamination resulting from this facility is unacceptable; any water ponding on the pad should be treated as contaminated and not allowed to flow off the pad.
- E. A spill report addressing the issue of contamination on the apron and the resulting downslope flow is to be filed by **July 31, 2017**. It should fully describe the scope of the issue, which clearly pre-dates my first inspection in 2012, and the action to be taken. Soil sampling to determine the full extent of the impacted area is to be conducted immediately, and should inform the remediation efforts. Numerous small stains around the entire site should also be shovelled up as soon as practically possible.
- F. All human and camp waste is to be backhauled until facilities are repaired. This waste is not to be allowed to accumulate and must be removed in the season/year it is generated.
- G. The table of drill holes to be remediated in 2017, as per 2016 Inspection Report item D, is to be submitted to the inspector by **July 31, 2017**, and the work to be completed during this season, and a report submitted to the inspector by **September 30, 2017**.
- H. Address all other work as per 2016 inspection report, and the list of priorities given September 7, 2016, by the dates indicated therein.

Licensee or Representative	Inspector's Name
	Eva Paul
Signature	Signature
	<i>Sent electronically</i>
Date	Date
	18 July 2017

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, KIA

Mark Sander, Mandalay Resources



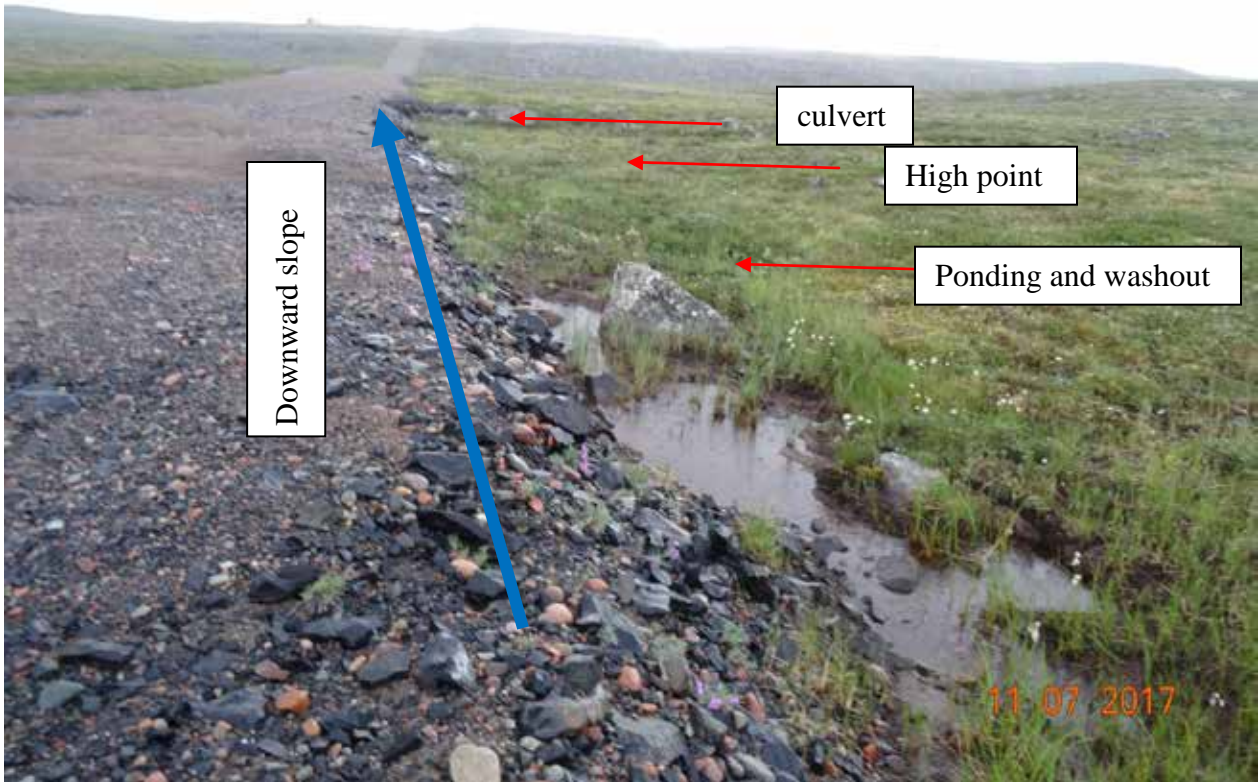
PHOTO LOG

Date	Camera	Inspector	Authorization
July 11 2017	SONY DSC-HX50V	EVA PAUL	2BM-ULU1520
Photo Log # 1		Location (NAD 83 DD MM SS.SS)	
Photo DSC07388		N66 52 15.3	W111 00 23.8



**Description:** Aerial view of one wash-out on road to Camp 3. Silt fences were installed in 2016, to limited avail. Reasons for the road washing out must be addressed. I believe the drainage up-slope is compromised. There is a culvert at the main channel, but not all overland flow is able to report to that culvert (see next photo)

Photo Log # 2	Location (NAD 83 DD MM SS.SS)
Photo DSC07469	N66 52 15.9      W111 00 24.3



**Description:** Water ponding upslope of the road at the point where the wash out occurs. There is a high area that prohibits this water from reporting to the nearby culvert.






Photo Log # 3

Photo DSC07284 (17 July 2012)

Location (NAD 83 DD MM SS.SS)

NW



Description: 2012 was the first year I inspected this site. In reviewing my photos, I can see that this hydrocarbon flow was already present in 2012.

Photo Log # 4

Photo DSC07425

Location (NAD 83 DD MM SS.SS)

N66 54 32.8 W110 57 45.2 (approx.. from air)



Description: DMS has staked the visible contamination, and has already filled 12 drums of soil. The requirement to conduct actual sampling to determine the extent of the contamination remains in effect.





Photo Log # 5	Location (NAD 83 DD MM SS.SS)	
Photo DSC07416	N66 54 32.6	W110 59 07.9 (approx.. from air)



Description: Derelict dock structure and other waste visible at West Lake, looking south.

Photo Log # 6	Location (NAD 83 DD MM SS.SS)	
Photo DSC07417	N66 54 24.4	W110 59 18.0 (approx.. from air)



Description: West Lake, north end. Pieces of white debris (possibly Styrofoam?) seen around the perimeter.



Photo Log # 7

Location (NAD 83 DD MM SS.SS)

Photo DSC07409

N66 54 25.3      W110 58 04.7



Description: Water ponding in the portal is near to the road.