



WATER LICENCE INSPECTION FORM

☒ Original
☐ Follow-Up Report

Licensee	Licensee Representative
Bonito Capital Corp	Jay – Discovery Mining Services
Licence No. / Expiry	Representative's Title
2BM-ULU1520	Contractor
Land / Other Authorizations	Land / Other Authorizations
Date of Inspection	Inspector
20/08/2017	Eva Paul
Activities Inspected	
<input checked="" type="checkbox"/> Camp	<input type="checkbox"/> Drilling
<input checked="" type="checkbox"/> Roads/Hauling	<input type="checkbox"/> Other:
<input checked="" type="checkbox"/> Mining	<input type="checkbox"/> Construction
	<input checked="" type="checkbox"/> Reclamation
	<input checked="" type="checkbox"/> Fuel Storage
	<input type="checkbox"/> Other:

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	2,9	C	1,2		
C: CONDITIONS APPLYING TO WATER USE	7	U	3		
D: CONDITIONS APPLYING TO WASTE DISPOSAL		A	4,5		
E: CONDITIONS APPLYING FOR SPILL CONTINGENCY PLANNING	4, 7c	U	6		
F: CONDITIONS APPLYING TO DRILL OPERATIONS		NA			
G: CONDITIONS APPLYING TO MODIFICATIONS AND CONSTRUCTION	7,8	C	7		
H: CONDITIONS APPLYING TO OPERATION AND MAINTENANCE		NI			
I: CONDITIONS APPLYING TO ABANDONMENT AND RESTORATION OR TEMPORARY CLOSING	13	C	8		
J: CONDITIONS APPLYING TO THE MONITORING PROGRAM		NI			
*The item number corresponds with specific conditions within the licence and the comment number corresponds with specific comments provided below.					
Samples taken by Inspector:	Location(s):				
<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 a follow-up inspection at Ulu Gold Project, water licence 2BM-ULU1520 on August 20-21, 2017. I examined legacy drill sites in proximity to west lake, overall waste consolidation and reduction, the cleanup of the tank farm pad, silt fences installed at the road washouts. Ms. Lewis met me at site on August 21, and we were accompanied by Jay, a contractor for DMS. Significant work was done over the summer, and many of the outstanding compliance issues were addressed.</p> <ol style="list-style-type: none">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. This was brought to BCC’s attention in July 2017.Camp water was being supplied manually by jug, and water use was minimal due to small number of personnel. However, no records were being kept at the time of the inspection.Silt fences were installed immediately downstream of the road washouts. These will serve to reduce new sediment being washed from the road. However, no silt fences were installed between the visible sediment trail and the downstream water bodies, to prevent the material from the washout trail from being deposited to the ponds. The report on culverts as required by the 2016 Inspection was to be submitted to the Inspector by September 30, 2017 but has not been received at the time of this writing.In the case of this licence, ‘Sewage’ means toilet wastes AND greywater. At the time of the inspection, greywater was accumulating in a tank behind the kitchen. The Sewage Treatment Facility is not operational and no other discharge options have been proposed or approved. Toilet wastes were being collected in plastic bags for backhaul.BCC provided notice to the inspector August 18 of sampling and intent to discharge the portal water. At the time of the inspection, repairs to the Retention Pond had been completed, allowing for its use.Cleanup efforts with respect to spill 17-275 appeared to be concluded at the time of the inspection. All barrels were relocated to the fuel tank berm from the fuel apron. The liner at toe of the apron was raised and banked to prevent further migration from the pad. Contaminated sand from downslope of the pad was shovelled into barrels which were being stored on the mine storage pad: covered in plastic held down by pallets. Verbal direction was given at the time of the inspection to backhaul or to move all hazardous waste and contaminated soil into covered secondary containment by shutdown. Samples taken by the inspector at the time of the inspection were only shallow surface samples due to lack of tools for sampling at depth; these samples confirm that the fill used was not contaminated with hydrocarbons, but cannot confirm anything beyond that. No 30 day follow-up report has been received by the inspector with respect to spill 17-275 as prescribed by item 7c. I look forward to a fulsome report that outlines how LMI determined the full extent of the			



contamination, including results of pre-and post-sampling.

7. Ms. Lewis informed me during the inspection that ore was used to backfill the washouts on the road to Camp 3. The licence prescribes that fill or quarry material must be obtained from approved sources, and be free of metal leaching and acid generating potential.
8. A plan for the remediation of all historic drilling of the project was requested as a result of the 2016 inspection. A report on the reclamation efforts to date was due for submission to the Inspector by September 30, 2017 but has not been received at the time of this writing.

SECTION 2

☐ Comments

☒ Non-Compliance with Act or Licence

☐ Action Required

B-9 - The Licensee shall install and maintain flow meters or other such devices, or implement suitable methods capable of measuring Water volumes as required to comply with Part C, Item 2 and the Monitoring Program under Part J.

C.7 – Sediment and erosion control measures shall be implemented prior to and maintained during the operation to prevent entry of sediment into water.

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

E.7(c) - For each spill occurrence, submit to the Inspector, no later than thirty (30) days after initially reporting the event, a detailed report that will include the amount and type of spilled product, the GPS location of the spill, and the measures taken to contain and clean up the spill site.

G.7 - Should fill or quarry material be required, it must be obtained from a source approved by the Board.

G.8 - The Licensee shall ensure through testing, that waste rock used in construction is free of metal leaching and acid generating potential.

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

- A. As identified in the July report: correct the disparity between the amount of security held in respect of this project, and the amount identified in the licence.
- B. Water use records are to be maintained, even when use is small.
- C. Further silt fencing is to be installed in the spring, to mitigate sediment deposition as a result of the road washouts. A plan for sediment that has migrated downslope is to be submitted to the inspector for approval by May 15, 2018 and implemented for 2018 freshet.
- D. The report on culverts as required by the 2016 Inspection was to be submitted to the Inspector by September 30, 2017. This outstanding report is to be submitted by December 1, 2017.
- E. Please clarify what the intent is to manage toilet wastes and greywater in 2018 and throughout the proposed reclamation.
- F. A follow-up report detailing all remedial actions for spill 17-275, with photographs and sampling results (before and after), and including the management of the contaminated materials, is to be provided to the inspector by December 1, 2017.
- G. Please provide confirmation to the Inspector and the Board that the materials used for road repairs were from an approved source, free of metal leaching and acid generating potential.
- H. A report regarding remediation of drill holes was due to the inspector by **September 30, 2017**. This outstanding report is to be submitted by December 1, 2017.

Licensee or Representative	Inspector's Name
	Eva Paul
Signature	Signature
	Sent electronically
Date	Date
	24 November 2017

Office Use Only:

Follow-up report to be issued by Inspector

☐ Yes ☒ No

CC:

Licensing Department, NWB

Erik Allain, Director of Lands, INAC

Wynter Kuliktana, KIA

Mark Sander, Mandalay Resources



PHOTO LOG

Date	Camera	Inspector	Authorization
August 20 2017	SONY DSC-HX50V	EVA PAUL	2BM-ULU1520
Photo Log # 1		Location (NAD 83 DD MM SS.SS)	
Photo DSC08157		N66 52 15 03.1	W111 00 23.9 (approx.. from air)



Description: Aerial view of one large wash-out area that has been backfilled (presumably with ore based on Ms. Lewis' information). Silt fences may mitigate further sediment from the road, but none are present between the existing sediment trail and the pond.

Photo Log # 2	Location (NAD 83 DD MM SS.SS)	
Photo DSC08170	N66 52 17	W111 00 10 (approx.. from air)



Description: Downslope view of sediment trail deposited from the road washout.



Photo Log # 3

Photo DSC08141

Location (NAD 83 DD MM SS.SS)

N66 54 27.6 W110 57 42.3 (approx.. from air)




Description: Aerial view of fuel apron and area affected by spill 17-275, after the reclamation efforts. Note, soil in the apron is still contaminated.

Photo Log # 4

Photo DSC08147

Location (NAD 83 DD MM SS.SS)

N66 54 21.1 W110 58 16.0 (approx.. from air)



Description: Barrels of contaminated soil stored on the mine storage pad.



Photo Log # 5

Photo DSC08234

Location (NAD 83 DD MM SS.SS)

N66 54 30

W110 57 55



Description: Staining within the apron.

Photo Log # 6

Photo DSC08209

Location (NAD 83 DD MM SS.SS)

N66 54 22.6

W110 58 08.8



Description: Barrels as seen in photo 4.