

Bonito Capital Corp.

December 4, 2017

RE: REVISED - 2BM-ULU1520 – Inspection Report “Actions Required” Responses

Hi Eva,

Please find below and attached Bonito Capital Corp’s (BCC) responses to “Actions Required” to your July 18, 2017 and November 24, 2017 Inspection Reports.

July 2017 Inspection Report:

Inspector Action: the disparity between the amount of security held in respect of this project, and the amount identified in the licence.

BCC REPONSE:

The updated letter of credit has been completed with HSBC. The Controller is currently out of the office and will be returning next week, once he returns I will have him send me a copy to update your files and the NWB files.

Inspector Action: 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.

BCC REPONSE:

Please find attached a report from Norwest Engineering addressing the sampling conducted at the mine portal and retention pond to verify compliance with discharge criteria. BCC emailed notification to the Inspector with the intent to discharge as confirmed in the November 24, 2017 Inspection Report.

To prepare that water from the mine portal may be directed to the retention pond, the retention pond repairs were carried out and completed as confirmed in the November 24, 2017 Inspection Report.

Inspector Action: 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.

BCC REPONSE:

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Please find attached a report from Norwest Engineering on culverts at site, including GPS coordinates, photos and a map of the culvert locations. The report also addresses the road repairs to improve the integrity of the roads and reduce erosion and sediments issues.

Inspector Action: 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.

BCC REPOSE:

Please find attached a report from Norwest Engineering in regards to the soil samples taken to determine the extent of the spill.

A spill report was filed on July 31, 2017 and a copy sent to the inspector (see attached) on July 31, 2017.

BCC delineated the spill trails with some wooden stake to match the inspectors sample program, excavated the visible spill outside the berm area until there was no further discoloration and suspicious odours. (12 drums of soil in total) and emptied the area of all barrels, containers etc. Norwest Engineering attended site to assess the spill and provide our crew with some instructions to mediate the risk of future spills. Norwest Engineering also carried a sampling program to determine the extent of the spill (see attached). Repairs to the area, including elevating the down slop side of the berm, were carried to prevent the risk of future spills. The photos below are before, during and after clean-up.

July 10th, 2017 – pre-cleanup

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Clean-up process



Down side slope of the berm after Repairs



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Inside of berm after repairs



Included in the November 24, 2017 Inspection Report it was noted that “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.” BCC did remove or moved all hazardous waste and

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contaminated soil into covered secondary containment. Norwest did complete the soil samples as soon as possible, but did not complete any pre-sampling prior to cleanup. As determined by Norwest none of the samples exceeded the Tier 1 limits for any of the hydrocarbon fractions.

*Inspector Action: 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.*

BCC REPONSE:

This spill report was filed and emailed to the inspector on July 31, 2017 – please see attached. Attached is a report from Norwest Engineering in regards to the soil sampling to determine the full extent of the impacted soil. The soil samples did not detect any hydrocarbon above the Tier 1 limits. Small stains around site where also addressed.

Inspector Action: 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.

BCC REPONSE:

All human waste and camp waste was backhauled to Yellowknife. Greywater is stored in a tank at site and BCC will be discussing a plan for the next season and will advise the Inspector once this is determined. Noting in the November 24, 2017 Inspection Report it now states, “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.” In the July 2017 Inspection report it stated human waste and camp waste, which we interpreted to be human excrement and garbage from the camp, which we did backhaul. We were unaware that greywater was to also be backhauled until the November 2017 report. This will be addressed during the 2018 season.

Inspector Action: 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.

BCC REPONSE:

A total of 157 drill holes, out of 365 drills, were inspected and if required, remediated as per water licence 2BM-ULU1520 during the 2017 season. Please find attached a list of 157 drill holes inspected as of the date of this letter, with five drill holes requiring additional

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remediation work in 2018. The before and, if remediated, after photos will be delivered to the inspector in Yellowknife by Discovery Mining as size of the photos are too large to email. The remaining 200 drill holes to be inspected and, if required, remediated will be completed during the 2018/2019 season.

Inspector Action: Address all other work as per 2016 inspection report, and the list of priorities given September 7, 2016, by the dates indicated therein.

BCC REPONSE:

Please see above, and report filed in December 2016 and February 2017.

November 2017 Inspection Report

Inspector Action: 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.

BCC REPONSE:

Please see response above.

Inspector Action: Water use records are to be maintained, even when use is small.

BCC REPONSE:

Please find attached the water use records.

Inspector Action: 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.

BCC REPONSE:

Further silt fencing was installed after the inspector was at site in August 2017, as per instructions. Please find attached a report from Norwest Engineering in regards to the above, in photo of further silt fencing as requested.

Inspector Action: 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.

BCC REPONSE:

Please find attached a report from Norwest Engineering which includes GPS coordinates, photos and map of the inspected culverts.

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Inspector Action: Please clarify what the intent is to manage toilet wastes and greywater in 2018 and throughout the proposed reclamation.

BCC REPONSE:

BCC is currently determined a plan for the 2018 season and we will advise the Inspector once this is determined.

Inspector Action: 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.

BCC REPONSE:

Please see above and the attached Norwest Engineering report.

Inspector Action: 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.

BCC REPONSE:

This will be confirmed during the 2018 season. Noting that in the Inspection Report it states KLewis advised you that it was waste rock and I, KLewis, do not recall stating this as I was not there when the work was completed. It is possible that Jay, the contractor named on the inspection report, may have said something along these lines but we will confirm during the 2018 season.

Inspector Action: 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.

BCC REPONSE:

Please see above and attached.

I hope we have addressed all of your items and if you require further information please let me know.

Regards,

Karyn Lewis
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Bonito Capital Corp.
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