BONITO CAPITAL CORP.

March 31, 2017

Karen Kharatyan
A/Manager of Licensing
Nunavut Water Board
P.O. Box 119
Gjoa Haven, NU X0B 1J0

By email karen.kharatyan@nwb-oen.ca

Re: 2016 Annual Report: Ulu Advanced Exploration Project Type B Water Licence (2BM-ULU1520).

Dear Ms. Kharatyan,

Bonito Capital Corp (BCC) is pleased to submit the attached 2016 Annual Report for the Ulu Advanced Exploration Project (Project) in accordance with Type B water licence 2BM-ULU1520 Part B, Item 8.

Please note that there no project activity in 2016 with exception of approx. two weeks in September 2016. The trip to site was carried out to complete work as requested by the INAC water resource inspector and to complete the annual geotechnical inspection. There was $0.56m^3$ domestic water used and $0.56m^3$ of graywater produced.

The information summary and appendices address the 2016 annual reporting requirements.

Should you have any questions please contact the undersigned.

Yours truly,

"Karyn Lewis"

Karyn Lewis

76 Richmond Street East, Suite 330
Toronto, ON, M5C 1P1, Canada
Tel: 778-386-7340

Executive Summary - English

Bonito Capital Corp (BCC) submitted its 2016 Annual Report to the Nunavut Water Board for the Ulu Advanced Exploration Project (Project) in accordance with Type B water licence 2BM-ULU1520 Part B, Item 8.

Please note that there no project activity in 2016 with exception of a two week trip to complete work as requested by the Inspector (see Appendix A). Please note that BCC made numerous attempts to obtain land use permission from the KIA to access the property earlier in the season to carry out the work as required by the INAC Water Resources Inspector. The KIA issued BCC permission to access the site on September 6, 2016. The permission from the KIA allowed BCC to access site from September 6, 2016 to September 30, 2016. Due to this permission being granted late in the season, snowfall prevented BCC from completing all the work requested by the Inspector.

There was 0.56 m^3 domestic water consumed and 0.56 m^3 graywater produced.

Included in the annual report is an, information summary and appendices addressing the 2016 annual reporting requirements.

2BM-ULU1520 – 2016 BCC Annual Reporting Requirements - Part B, Item 8

The Licensee shall file an Annual Report on the appurtenant undertaking with the Board no later than March 31st of the year following the calendar year being reported, which shall contain the following information:

a. tabular summaries and analysis of all data collected under the Monitoring Program, Part J;

There was a total domestic water use of 0.56 m3 during the month of September. No discharge in 2016. No water samples collected.

b. a summary of construction work, modification and/or major maintenance work carried out on the Water Supply Facilities and Sewage Treatment Facility, including all associated structures, and an outline of any work anticipated for the next year;

No construction, modification and/or major maintenance was carried out this year on the Water Supply Facilities and Sewage Treatment Facility.

c. results from acid generating samples collected on ore and waste rock as referred to in Part D, Item 11.

No samples were collected from ore or waste rock and tested for acid generation in 2016.

d. a list of unauthorized discharges and follow-up action taken;

No unauthorized discharges in 2016.

e. updates or revisions to the Waste Management Plan, Spill Contingency Plan, Abandonment and Restoration Plan, Operations and Maintenance Plan, Care and Maintenance Plan and any other plans associated with the Licence. Revisions may be subject to Board approval;

Updates to following plans were submitted with the 2015 annual report and BCC is awaiting comments and/or approval from the NWB:

- Appendix E - Waste Management Plan
- Appendix F - Spill Contingency Plan
- Appendix G - Interim Abandonment and Restoration Plan
- Appendix H - Sewage Treatment Plan and Operations and Maintenance Plan
- Appendix I - Care and Maintenance Plan

f. an updated estimate of the restoration liability, as required under Part B, Item 5 and 6, based upon the results of the restoration research, project development monitoring, and any modifications to the site plan;

The cost estimate remains the same as 2015. BCC and the KIA conducted a site visit to the Ulu Project on August 14-15, 2015 to assess the site and collaborate together to complete a reclamation estimate. During 2016, BCC made a number of requests to setup meetings/teleconferences to discuss the reclamation estimate with the KIA. To date these meetings have not taken place and BCC endeavours to have a meeting set up to collaborate with the KIA on the reclamation estimate in the near future.

A link to BCC's current cost estimate on the NWB ftp site is as follows:

ftp://ftp.nwb-oen.ca/registry/2%20MINING%20MILLING/2B/2BM%20-%20Mining/2BM-ULU1520%20Bonito/3%20TECH/2%20SECURITY/2014-2015/141231%202BM-ULU0914%202014%20Reclaim%20and%20Basis%20of%20Costing-ILAE.pdf

g. a brief description of follow-up action taken to address concerns detailed in inspection and compliance reports prepared by the Inspector;

Water Resource Inspector and Environment Canada were at site on July 6-7, 2016 to complete site inspections. There was discussions/correspondence between the Inspector and BCC to address the Inspectors concerns which are located on the NWB ftp site (as well as attached in Appendix A).

Due to receiving land use permission from the KIA so late in the season the Water Resource Inspector did email BCC with a list of priorities (attached in Appendix B). Snowfall prevented some of these items from being completed this season.

Follow-up actions to address concerns detailed in the inspection report are as follows:

- Sorted thru the waste drums by the mine storage pad
- Repack some of the waste into resalable drums ready for shipping
- Relocated 3 c-container at the mine storage pad
- Store inert waste outside the c-can
- Cover and store all hazardous waste in c-can away from the elements
- Cover and store all contaminated soil in c-can away from the elements
- All hazardous waste at the mine storage pad is secure in c-can and covered so water can't get into the drums.

Bonito relocated all waste drum from drive thru berm

- Liquid product to Main berm

- Contaminated soil to mine storage pad
- Removed the contents of any damaged drums into new drums and store them into the main berm.

Main Berm:

- Restack all waste drum in the center of the main berm
- Relocate all diesel drums to the drive thru berm
- Clean out blue c-can and store empty drum and fuel transfer hose
- Install Cam-lock Cap on some of the Vertical tank
- transfer some oil product from an old storage tank into drums

Bonito Capital was unable to complete sampling requested by the Inspector due to the snow fall but Bonito did install a spill boom at the North end of the drive thru berm to prevent future migration and all waste drums were removed from the berm.

Bonito completed the following:

- Installed silt fencing at 2 different location on the downstream side of the road around those coordinate (N66 51 59.75 W111 00 14.6)
- Cleaned 2 washouts with the excavator as best we could. We left a slight channel on the road, sloping downstream. The channel is shallow enough so you could drive thru.
- Additional work in this area will be completed in 2017

h. report all artesian flow occurrences as required under Part F, Item 3;

No artesian flow occurrences to report during 2016.

a summary of hazardous materials shipped out, the treatment received, and the location of the approved treatment facility to which they were sent;

BCC backhauled 47 drums of oil/waste oil (approx. 16,200lbs) from site. The waste oil was shipped to KBL located in Yellowknife, NWT.

i. a summary of any abandonment and restoration work completed during the year and an outline of any work anticipated for the next year;

No abandonment and restoration work was completed this year.

Work BCC anticipates to be completed in 2017 includes:

- Continue further measures to establish sediment control to prevent further sediment loading of streams that have been affected by road deterioration.
- Stop the flow of hydrocarbons from the fuel storage pad and prevent any further migration of hydrocarbons down-slope from the fuel storage pad. Prepare for remediation of the affected area during the snow free season.
- Exposed and/or damaged liners will be covered and/or repaired.
- Animal burrows will also be monitored.
- Repairs to the access road commenced this season, vehicles are now able to drive on the road, with the repairs to be completed in the 2017 season. Silt fencing in 2 different locations on the downstream side of the road where installed to mitigate sediment downstream.

j. a summary of any specific studies or reports requested by the Board, and a brief description of any future studies planned or proposed;

The 2016 Geotechnical Inspection Report and cover letter was submitted to the NWB located at the following links:

Cover Letter: ftp://ftp.nwb-oen.ca/registry/2%20MINING%20MILLING/2B/2BM%20-%20Mining/2BM-ULU1520%20Bonito/3%20TECH/4%20WASTE%20DISP%20(D)/D9%20and%20D10%20Geotechnical/2016/161031%202BM-ULU1520%202016%20Ulu%20Gold%20Project%20Cover%20Letter%20Geotech%20Inspection-IVKE.pdf

Geotechnical Report: ftp://ftp.nwb-oen.ca/registry/2%20MINING%20MILLING/2B/2BM%20-%20Mining/2BM-ULU1520%20Bonito/3%20TECH/4%20WASTE%20DISP%20(D)/D9%20and%20D10%20Geotechnical/2016/161031%202BM-ULU1520%202016%20Ulu%20Gold%20Project%20Geotech%20Inspection%20RPT%20Final-IVKE.pdf

*BCC has not attached the documents due to the large size of the file for email.

The 2016 Geotechnical Inspection Report stated that the facilities are in good geotechnical condition and Norwest made the following maintenance and repair recommendations:

1. Repair all damaged liner and test the repairs
2. After the tests, cover all exposed liner and any exposed edges with protective over liner
3. Replace the broken wooden cribbing in the Camp 3 fuel tank farm and re-level the tanks or decommission and remove the tanks from the containment.
4. Continue to monitor the animal burrow activities on site.
5. Repair the access roads between the camps for safe vehicle access.

There were no issues requiring immediate attention identified in the report.

k. a public consultation/participation report describing consultation with local organizations and residents of the nearby communities, if any were conducted;

BCC and the KIA conducted a site visit to the Ulu Project on August 14-15, 2015 to assess the site and collaborate together to complete a reclamation estimate. During 2016, BCC made a number of requests to setup meetings/teleconferences to discuss the reclamation estimate with the KIA. To date these meetings have not taken place and BCC endeavours to have a meeting set up to collaborate with the KIA on the reclamation estimate in the near future.

any other details on water use or waste disposal requested by the Board by November 1st of the year being reported.

The Nunavut Water Board did not request additional information for the 2016 reporting period.

APPENDICES

Appendix A – 2016 Inspection Report and BCC Response

Appendix A

2016 Inspection Report and Response

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

☒ Camp ☐ Drilling ☐ Mining ☐ Construction ☐ Reclamation ☒ Fuel Storage
☒ Roads/Hauling ☒ Other: Care + Maintenance ☐ Other:

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).
☒ Yes ☐ No	

SECTION 1 ☒ **Comments** (s.1) ☒ **Non-Compliance with Act or Licence** (s.2) ☒ **Action Required** (s.3)

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.

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.

1. 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.
2. 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.
3. 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.
4. 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.
5. 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.
6. 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."
7. As a result of lack of maintenance, site conditions are deteriorating. The large Quonset has torn open, exposing the materials and equipment stored therein.
8. No results were submitted for monitoring of ULU-8, which should be sampled twice annually during open water period.
9. 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^2 (212.5m^2). 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

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	Location (NAD 83 DD MM SS.SS)	
Photo DSC05631	N66 54 27	W110 58 02

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

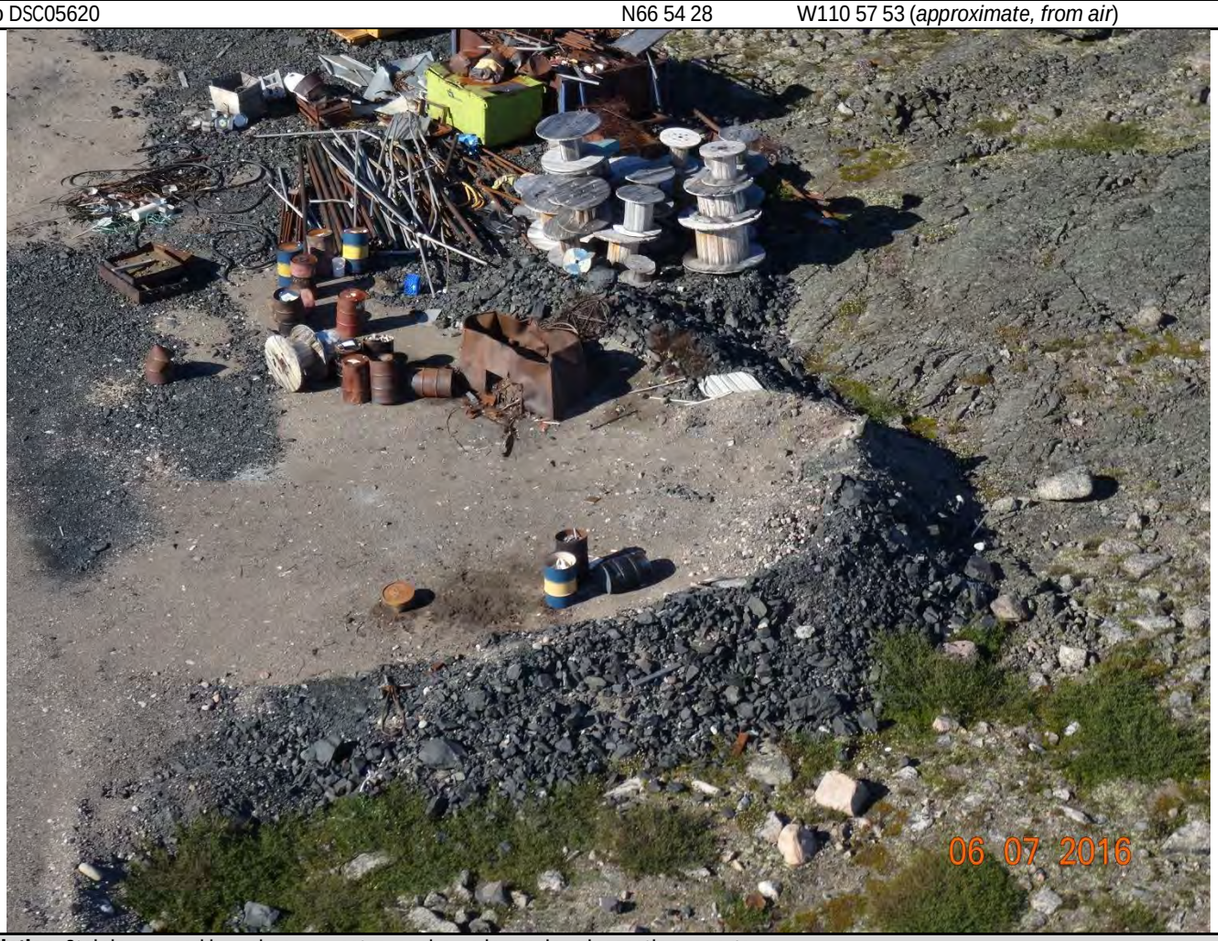
Photo Log # 4	Location (NAD 83 DD MM SS.SS)	
Photo DSC05609	N66 54 18	W110 58 13 (*approximate, from air*)

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	Location (NAD 83 DD MM SS.SS)	
Photo DSC05613	N66 54 30	W110 57 41 (*approximate, from air*)

Description: Assorted waste on the site's periphery.

Photo Log # 6	Location (NAD 83 DD MM SS.SS)	
Photo DSC05620	N66 54 28	W110 57 53 (*approximate, from air*)



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

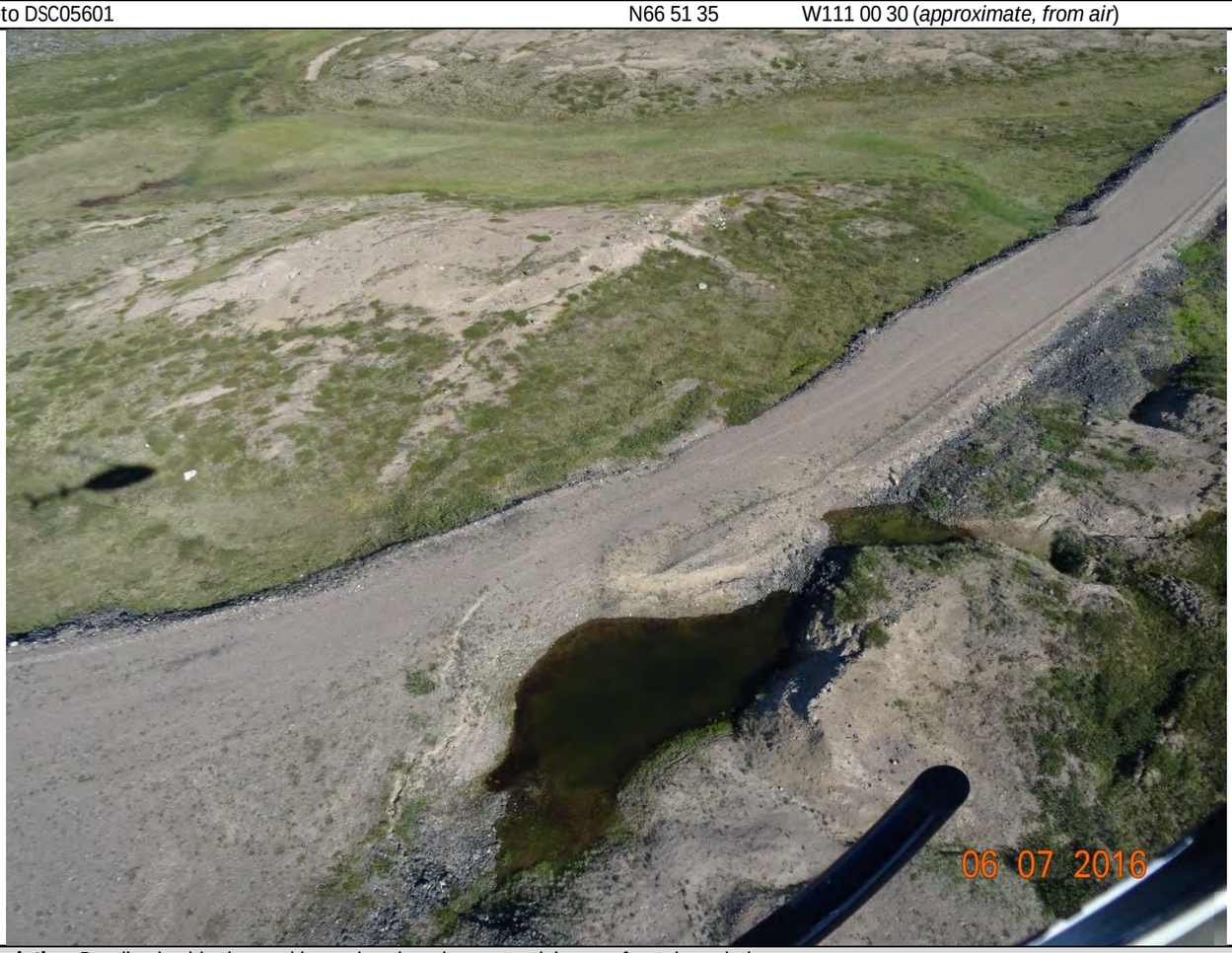
Photo Log # 7	Location (NAD 83 DD MM SS.SS)	
Photo DSC05621	N66 54 31	W110 57 58

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	Location (NAD 83 DD MM SS.SS)	
Photo DSC05601	N66 51 35	W111 00 30 (*approximate, from air*)

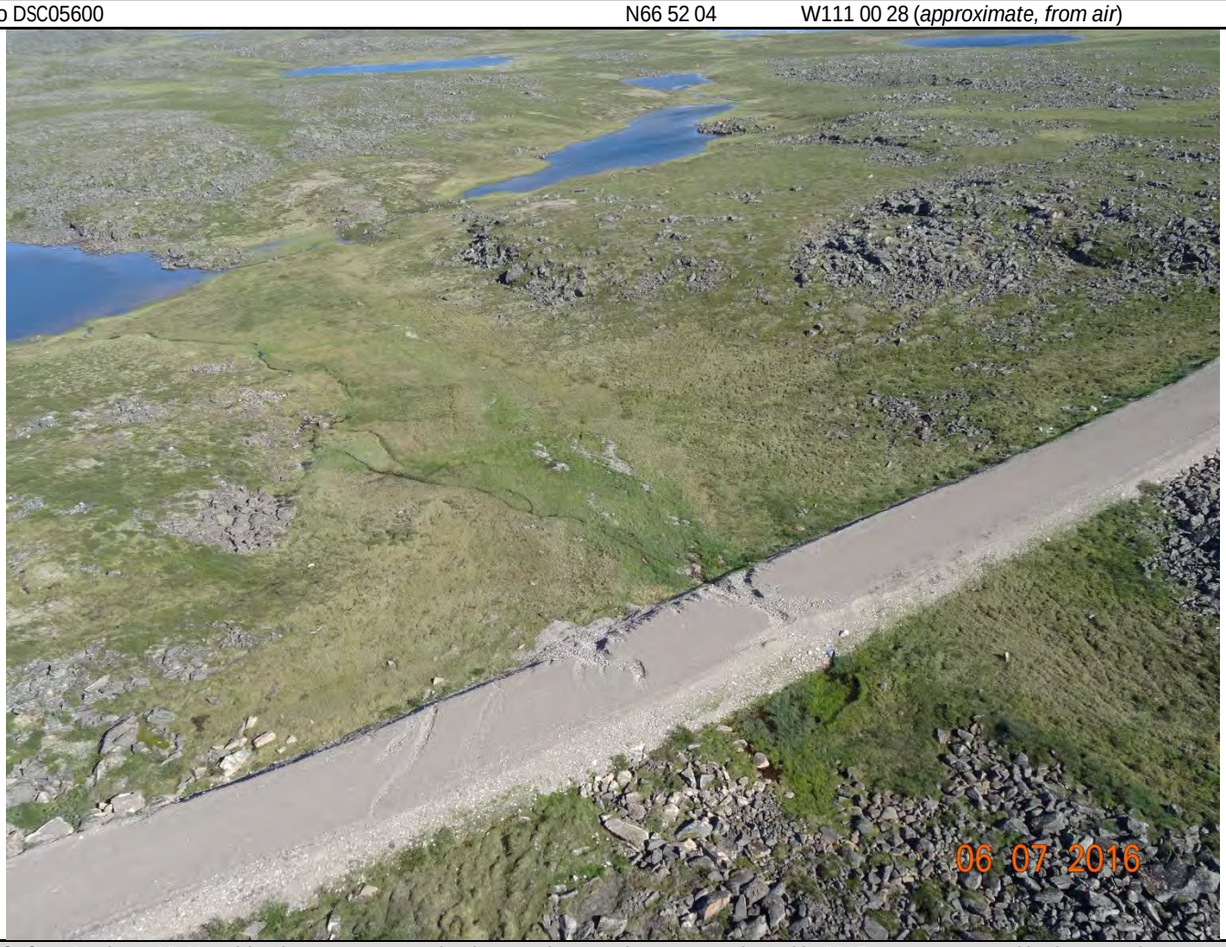


Description: Ponding beside the road is causing slumping; potential permafrost degradation.

Photo Log # 10	Location (NAD 83 DD MM SS.SS)	
Photo DSC05598	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	Location (NAD 83 DD MM SS.SS)	
Photo DSC05600	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	Location (NAD 83 DD MM SS.SS)	
Photo DSC05619	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.

From:	Karyn Lewis
To:	"Eva Paul"
Subject:	2BM-ULU1520 - Inspection Response for Priorities for Ulu
Date:	January-19-17 7:48:00 AM
Attachments:	image011.png image012.png image013.png image014.png image015.png

Hi Eva,

I hope you had a wonderful holiday season and enjoyed your time off. I looks forward to working together in 2017.

Please find below responses to the priorities at Ulu based on your inspection report dated July 6-7, 2016.

As you are aware, Bonito Capital Corp. was unable to access site to conduct the work required in your inspection report until September so they were limited in the work they were able to complete. The day the work crews arrived at site snow fall began and this further hindered their ability to complete all the tasks. The tasks that were not completed this years, Bonito will make every effort to work with the KIA to gain access during the summer months to complete all the work requested by the Inspector including the items listed below.

- 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.

- 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**.

- 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.

-

From 2015 Inspection (please review 2015 report which provides photos of the areas in question):

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. *

Bonito completed the following:

- Sorted thru the waste drums by the mine storage pad
- Repack some of the waste into resalable drums ready for shipping
- Relocated 3 c-container at the mine storage pad
- Store inert waste outside the c-can
- Cover and store all hazardous waste in c-can away from the elements
- Cover and store all contaminated soil in c-can away from the elements
- All hazardous waste at the mine storage pad is secure in c-can and covered so water can't get into the drums.

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. *

Removal from site of any and all of the above would, of course, be preferable to storing it for any longer.

Bonito Capital completed the following:

Bonito relocated all waste drum from drive thru berm

- Liquid product to Main berm
- Contaminated soil to mine storage pad
- Removed the contents of any damaged drums into new drums and store them into the main berm.

Main Berm:

- Restack all waste drum in the center of the main berm
- Relocate all diesel drums to the drive thru berm
- Clean out blue c-can and store empty drum and fuel transfer hose
- Install Cam-lock Cap on some of the Vertical tank
- transfer some oil product from an old storage tank into drums

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.

The flow of hydrocarbons from the fuel storage pad is only easily visible when the sand is dry. I noted in 2015 that my photos showed the contamination clearly, but Andrew's (taken later and during a rain event) did not. This summer (2016) I recorded a GPS track of the perimeter of ***what was visible on the surface,*** which I have attached, along with the waypoints of the two shallow samples I took. Please note that this is a **starting point** of where sampling should occur to determine the extent of contamination; the actual extent under the surface may be greater. Please ensure qualified personnel are present to delineate the contamination and to guide the work.

Client Sample ID	Sample Type	Sample Collect Date	Parameter Name	Reported Result	Units
ULU Soil 1	Soil	08-Jul-16	F2: C10-C16	29	mg/kg
ULU Soil 1	Soil	08-Jul-16	F3: C16-C34	3740	mg/kg
ULU Soil 1	Soil	08-Jul-16	F4: C34-C50	1360	mg/kg
ULU Soil 2	Soil	08-Jul-16	F2: C10-C16	147	mg/kg
ULU Soil 2	Soil	08-Jul-16	F3: C16-C34	9690	mg/kg
ULU Soil 2	Soil	08-Jul-16	F4: C34-C50	2970	mg/kg

** "Secondary Containment" means an impermeable structure, external to and separate from primary containment, which prevents unplanned spills of hazardous materials and provides a minimum capacity of 110% of the original vessel. Where multiple vessels are stored within the containment, it must provide a minimum capacity equal to the sum of the largest vessel and 10% of the aggregate volume of all other vessels located in the containment. This structure shall also provide containment and control of hoses and nozzles.*

Bonito Capital was unable to complete the work above due to the snow fall.

Bonito did install a spill boom at the North end of the drive thru berm to prevent future migration and all waste drums were removed from the berm.

Time permitting:

-removal of the dock and any structures that may become waste in the water.

-repair to portal containment pond, in case it is required in the future

Also required (for 2017 spring freshet) from 2015 Inspection:

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 (**now 2017**).

Bonita completed the following:

- Installed silt fencing at 2 different location on the downstream side of the road around those coordinate (N66 51 59.75 W111 00 14.6)
- Cleaned 2 washouts with the excavator as best we could. We left a slight channel on the road, sloping downstream. The channel is shallow enough so you could drive thru.
- Additional work will be completed in 2017

Thank you for your patience in this matter and we anticipate a more fulsome work season to complete all the tasks in 2017.

If you have any questions or need further information please feel free to contact me.

Regards,

Karyn Lewis
Bonito Capital Corp.
778-386-7640

From: Eva Paul [mailto:Eva.Paul@aandc-aadnc.gc.ca]
Sent: October-20-16 3:40 PM

Subject: Fwd: Priorities for Ulu

>>> Eva Paul 9/7/2016 9:52 AM >>>
Hi Karyn,

Thank you for your call, and for confirming that you now have a LUP from the KIA allowing you to conduct work at site. I understand that the LUP is of short duration, and as such am listing what I see as immediate priorities:

From 2015 Inspection (please review 2015 report which provides photos of the areas in question):

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. *

- Sort thru the waste drums by the mine storage pad
- Repack some of the waste in resalable drums ready for shipping
- Relocated 3 c-container at the mine storage pad
- Store inert waste outside the c-can
- Cover and store all hazardous waste in c-can away from the elements

- Cover and store all contaminated soil in c-can away from the elements

Note: All hazardous waste at the mine storage pad is secure in c-can and covered so water can't get into the drums.

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. *

Removal from site of any and all of the above would, of course, be preferable to storing it for any longer.

Relocate all waste drum from drive thru berm
Liquid product to Main berm
Contaminated soil to mine storage pad

Note: We contain all visible leaky drums into new drums and store them into the main berm.

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.

The flow of hydrocarbons from the fuel storage pad is only easily visible when the sand is dry. I noted in 2015 that my photos showed the contamination clearly, but Andrew's (taken later and during a rain event) did not. This summer (2016) I recorded a GPS track of the perimeter of ***what was visible on the surface,*** which I have attached, along with the waypoints of the two shallow samples I took. Please note that this is a **starting point** of where sampling should occur to determine the extent of contamination; the actual extent under the surface may be greater. Please ensure qualified personnel are present to delineate the contamination and to guide the work.

Client Sample ID	Sample Type	Sample Collect Date	Parameter Name	Reported Result	Units
ULU Soil 1	Soil	08-Jul-16	F2: C10-C16	29	mg/kg
ULU Soil 1	Soil	08-Jul-16	F3: C16-C34	3740	mg/kg
ULU Soil 1	Soil	08-Jul-16	F4: C34-C50	1360	mg/kg
ULU Soil 2	Soil	08-Jul-16	F2: C10-C16	147	mg/kg
ULU Soil 2	Soil	08-Jul-16	F3: C16-C34	9690	mg/kg
ULU Soil 2	Soil	08-Jul-16	F4: C34-C50	2970	mg/kg

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Time permitting:

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-repair to portal containment pond, in case it is required in the future

Also required (for 2017 spring freshet) from 2015 Inspection:

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 (**now 2017**).

Other:

A full inspection report from the July 2016 inspection will follow when time permits.

Please ensure that normal water use/waste disposal records are kept and that all reclamation activities are photographed and reported in the Annual Report.

Again, thank you for your call.

Regards,

Eva Paul
Water Resources Officer | Agent des ressources en eau
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