

Department of Environment and Climate Change Land and Water Division- Dehcho P.O. Box 150 Fort Simpson, NT X0E 0N0

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|------------|-----------------------|
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July 27, 2023

Paramount Resources Ltd. Suite 2800, 421 - 7th Avenue SW Calgary, AB T2P 4K9

Attention: Terence Hughes

| File Number | MV2014X0011 |
|-------------------|-----------------------------|
| Type of Operation | MISC. |
| Location | Plant Site- NT Spill 202355 |

Dear Terence Hughes,

An inspection of the above noted operation was conducted on July 14, 2023 by Manager, Resource Management Danielle Rogers and Lands Officer Christopher Penner.

Enclosed is a copy of the Environmental Inspection Report. Please refer to the unacceptable and noted conditions in the general comments section of this report. Your attention to this matter is appreciated.

If you have any questions, please contact me at 867-695-2626 ext. 205.

Sincerely,

an

Danielle Rogers Manager, Resource Management Department of Environment & Climate Change

CC: Andrea Cleland- Regulatory Specialist, MVLWB

Laurie Nadia- Regional Land and Water Superintendent, Department of ECC, Dehcho Christopher Penner- Lands Officer, Department of ECC, Dehcho Wendy Bidwell- Senior Water Resource Officer, Department of ECC Rick Walbourne- Manager, Water Regulatory, Department of ECC

| Permittee: | Paramount Resources Ltd. | Permit Expiry Date: | June 04, 2021 |
|------------------------|-----------------------------|-------------------------|-----------------|
| Land Use Permit No. | MV2014X0011 | Previous Inspection: | August 24, 2022 |
| Quarrying Permit No. | | Inspection Date: | July 14, 2023 |
| Contractor: | | Subcontractor: | |
| Location(s) Inspected: | Plant Site- NT Spill 2023 | 55 | |
| Current Stage of | Reverse Osmosis of Surg | e Pond | |
| Operation: | | | |
| Program Modifications | | | |
| Approved: | | | |

Condition of Operation "A" - Acceptable "U" - Unacceptable "N/A" - Not Applicable "N/I" - Not Inspected

| Operating Condition | Aspect In | spected | |
|---------------------------------|-----------|---------|--|
| | NT Spill | | |
| | 202355 | | |
| Location as Permitted | А | | |
| Time as Permitted | A | | |
| Equipment as Approved (Type & | A | | |
| Size) | | | |
| Methods & Techniques | A | | |
| Facilities | A | | |
| Erosion (Control or Prevention) | A | | |
| Chemicals | A | | |
| Wildlife and Fisheries Habitat | A | | |
| (Protection) | | | |
| Wastes | A | | |
| Fuel Storage | A | | |
| Brush Disposal | A | | |
| Permits | U | | |

Explanatory Remarks -

Inspectors from the Department of Environment and Climate Change conducted an inspection of the work that is being completed at the surge pond on July 14, 2023 via helicopter. The work is being conducted under the NT Spill 202355, Remedial Action Plan.

Inspectors were accompanied by Paramount Resources Safety Supervisor Rocky Arndt and Water Treatment contractor, Chris Markovic when inspecting the site and the water treatment process.

At the time of the inspection there was a wildlife monitor, two fuel tanks, a trailer, light tower, thirteen tanks, the reverse osmosis trailers, two very fine filtration tanks, three lined cells to hold contaminated water and one lined cell to hold clean (treated) water, clean soil area for backfill operations, an area for contaminated soil (in construction), two dump trucks, one excavator and one bulldozer.

Mr. Arndt informed the Inspectors that they were waiting for the liner to come in for the contaminated soil area at the time of the inspection. Mr. Arndt also asked if they could mix soil with the sludge at the bottom of the surge pond when moving the sludge/contaminated

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soil to the designated area to help solidify when moving. Inspectors informed Mr. Arndt that there was no concern with doing that.

There were no drip trays under the heavy equipment and Inspectors informed Mr. Arndt at the time of the inspection that drip trays are required under all equipment to prevent spills.

As this land use permit is expired, Inspectors would like to remind Paramount Resources that a new application for a water licence and land use permit must be submitted to the Mackenzie Valley Land & Water Board by September 30, 2023. This requirement was a condition of the Remedial Action Plan approval by ECC.

Inspectors will continue to monitor.

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Inspection Images: Figure 1 Aerial of site

The second



Figure 2 Aerial of site



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Figure 3 Aerial of site



Figure 4 Reverse osmosis trailer



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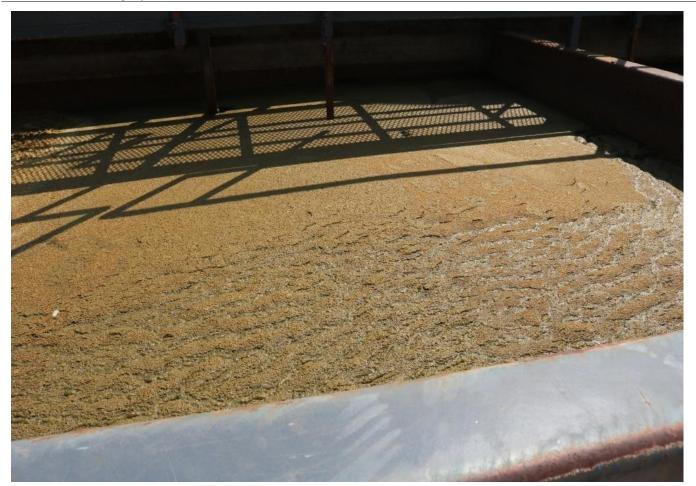


Figure 5

Drip tray collecting leaking water



Figure 6 Water from surge pond



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Figure 7 First pass through filtration



Figure 8 Second pass through filtration



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Figure 9

Water collected from washing osmosis trailer floors



Figure 10 Water stored in lined cell to go through reverse osmosis



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Figure 11

Pumps in drip trays with two final tank filters in background



Figure 12 Lined cell with final product- clean (treated) water



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Figure 13 Surge Pond



Figure 14 Clean soil area for backfill operations



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Figure 15 Different view of clean soil area for backfill operations



Figure 16 Equipment



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Figure 17 Prepped area for contaminated soil



Figure 18 Prepped area for contaminated soil



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Figure 19 Trailer on site



Figure 20 Fuel tanks on site



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