

July 4, 2017

Permit #: M-232  
14675-35-04  
Mine #: 100019

Chieftain Metals Inc.  
Chieftain Metals Corp.  
Grant Thornton Ltd.  
(Court Appointed Receiver, Agent for Tulsequah Mine)  
11<sup>th</sup> Floor, 200 King Street West, Box 11  
Toronto, Ontario M5H 3T4

By mail and email: [bruce.bando@ca.gt.com](mailto:bruce.bando@ca.gt.com)

Dear Mr. Bruce Bando;

**Re: Tulsequah Mine**  
**Chief Inspector of Mines, Orders under Section 35 *Mines Act***

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I am drawing your attention to outstanding compliance related matters identified in an inspection conducted at the Tulsequah Mine located in Northern British Columbia by a BC Ministry of Energy and Mines (MEM) Inspector of Mines in accordance with section 15 of the *Mines Act*.

A site inspection was undertaken by the Inspector on September 9, 2016 to confirm the status of the Tulsequah Mine. The following issues were identified in relation to health, safety and the environment;

- At the time of the inspection no personnel were on site. The potential for vandalism existed and most of the facilities on site (except the cook trailer and water treatment facility), including supplies of hazardous products and chemicals, were unsecure and open to the public.
- The exfiltration pond, receiving mine discharge from the lower portal, was overflowing and discharging directly into the Tulsequah River. There was no constructed spillway to direct the overflow away from the abutment of the berm. Dam stability in relation to the berm was a concern.

On September 13, 2016, the Chief Inspector of Mines, MEM, was notified of a court order appointing Grant Thornton Ltd. as receiver of Chieftain Metals Inc. and Chieftain Metals Corp., owners of the Tulsequah Mine.

The inspection report and subsequent orders dated October 24, 2016 were issued on October 24, 2016 to Chieftain Metals Inc., c/o Grant Thornton Ltd., receiver. The orders were discussed on October 31, 2016 with Bruce Bando of Grant Thornton Ltd. As

receiver, Grant Thornton Ltd. has advised the Ministry of Energy and Mines, through various phone calls, emails and letters, that it has not taken possession of the mine, and does not intend to do so, and that it was unlikely the orders could be complied with.

It is my expectation that Chieftain Metals Inc. and Chieftain Metals Corp., as owners of the Tulsequah Mine, and Grant Thornton Ltd., as receiver and agent for the owners and as persons apparently in charge of the mine, achieve and maintain compliance with regulatory requirements associated with managing a mine in British Columbia. As owners of, agent for the owners of Tulsequah Mine and/or persons apparently in charge in, on or about the mine, pursuant to this letter, you are ordered to comply with the requirements under the *Mines Act* identified in the previous orders to assign a mine manager, retain a Professional Engineer as Engineer of Record for the exfiltration pond and dam, take immediate remedial action to correct the overflow of the exfiltration pond and associated risk to the dam and remove all hazardous products off the mine site.

In the event of any inconsistency between the orders under this letter and the orders dated October 24, 2016, the orders under this letter prevail to the extent of such inconsistency.

This letter also orders that as owners, agent and/or persons apparently in charge, you immediately prepare and submit a plan to re-establish compliance in relation to these outstanding items.

**ORDER 1:** Pursuant to Section 35(1) of the *Mines Act*, to address health, safety and environmental issues associated with the mine, you are hereby ordered to comply with Section 21 of the *Mines Act* requiring that a mine manager be appointed to oversee any work, including monitoring and remediation work required in accordance with applicable BC regulations. Notification of the identity of the Mine Manager must be submitted to the Chief Inspector by July 31, 2017.

**ORDER 2:** Pursuant to Section 35(1) of the *Mines Act*, to address health, safety and environmental issues associated with the mine, you are hereby ordered to comply with

Part 10.1.5 of the Health Safety and Reclamation Code for Mines in BC (HSRC), requiring that you retain a Professional Engineer to act in the capacity of an Engineer of Record (EOR) in relation to the exfiltration pond and dam. Notification of the identity of the EOR must be submitted to the Chief Inspector by July 31, 2017.

**ORDER 3:** Pursuant to Section 35(1) of the *Mines Act*, to address health, safety and environmental issues associated with the mine, you are hereby ordered to comply with Section 15(4.1)(a) of the *Mines Act*, requiring that you take immediate remedial action

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Ministry of  
Energy and Mines

Health, Safety and Permitting  
Branch

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to alleviate the issues observed at the exfiltration pond and associated risk to the dam detailed in the inspection report of October 24, 2016. A proposed plan and schedule for the remedial action must be submitted to the Chief Inspector by July 31, 2017.

**ORDER 4:** Pursuant to Section 35(1) of the *Mines Act*, to address health, safety and environmental issues associated with the mine, you are hereby ordered to comply with Section 15(4.1)(a) of the *Mines Act*, requiring that you take immediate remedial action to remove and secure all hazardous products from the mine site. A proposed plan and schedule for the remedial action must be submitted to the Chief Inspector by July 31, 2017.

As Chief Inspector of Mines, my expectation is that each of you places a priority on returning to and maintaining compliance at the Tulsequah Mine. My staff has an interest in working with all of you to ensure compliance is achieved. Escalating enforcement actions under the *Mines Act* will be considered if these orders are not complied with.

***Additional Information***

The Chief Inspector's office acknowledges the recent communication from West Face Capital of its intent to retain an environmental consultant to review the existing data pertaining to the Tulsequah Mine and to develop a set of remediation concepts in contemplation of operating the mine. We also acknowledge this work is to be completed by the end of September 2017.

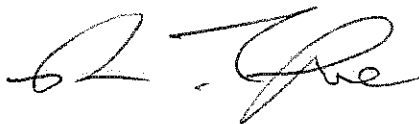
While we are pleased with and support this initiative, I will continue to follow up with staff on the ongoing compliance of the mine with the requirements under the *Mines Act*.

***Next Steps***

The Ministry of Energy and Mines will continue to work with you to ensure that these orders are complied with in full.

I look forward to your timely response.

Sincerely,



Rolly Thorpe, P. Eng  
A/Chief Inspector of Mines

pc:

Mr. Nathaniel Amann-Blake, Executive Lead, Compliance and Enforcement, MEM

Ms. Diane Howe, Deputy Chief Inspector, Permitting and Reclamation, MEM

Ms. Tania Demchuk, Deputy Chief Inspector, Compliance and Enforcement, MEM

Mr. Howard Davis, Regional Director, Smithers, MEM

Mr. Doug Flynn, Inspector, Health and Safety, Smithers, MEM

Ms. Jennifer McGuire, Executive Director, Environmental Protection, MOE

Mr. Graham Walker, Borden Ladner Gervais (Legal Counsel for West Face Capital)

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