

March 22, 2024



To:
Chieftain Metals Inc.
200 King Street West 11th Floor
Toronto, ON M5H 3T4

And to:
Armex Mining Corp.
1000-3552 Burrard Street
Vancouver, BC, V6C 2G8
Attention: Malcolm Fraser

Dear Chieftain Metals Inc. and Malcolm Fraser:

RE: Section 10.1 Orders regarding Permit M-232 for Tulsequah Chief Mine, Mine No. 0100019

The Tulsequah Chief Mine (the "Mine") located on the Tulsequah River, in the traditional territory of the Taku River Tlingit First Nation, has a history of non-compliances and issues pertaining to its permitted mining area. The communications with the Ministry of Energy, Mines and Low Carbon Innovation (the "Ministry") regarding these ongoing non-compliances have been inadequate and the Chief Inspector of Mines (CIM) has already exercised remedies to address the non-compliances.

As a result, on January 9, 2023, I, in my capacity as the CIM, issued orders under Section 10.1 of the *Mines Act*. It was noted that:

"Failure to comply with the orders below may result in cancellation of Mines Act permit M-232"

The orders were issued to Chieftain Metals Inc (Chieftain) and copies were provided to West Face Capital Inc. ("West Face") and Armex Mining Corp. (Armex) who Armex and West Face have told me is now the main secured creditor of Chieftain.

On April 3, 2023, the CIM received a letter from Armex indicating receipt of the Section 10.1 orders and requested an extension of the orders deadline to explore ways to remedy the non-compliances. This letter was followed up with a Teams Meeting on Monday May 8, 2023, with Allen Leschert, President of Armex. No correspondence was received from Chieftain.

On July 11, 2023, the CIM sent a letter to Allen Leschert, President of Armex stating that:

"I do not agree with aspects of your letter, however, I agree that the deadline for compliance of the four orders made under s. 10.1 of the Mines Act be delayed until

December 31, 2023, to allow time to do a site visit and review information with consultants”

On December 29, 2023, the CIM received a document from Malcolm Fraser, on behalf of Armex, titled “Preliminary Development Plan, Tulsequah Chief Mine, Tulsequah Chief Project” (the “December 29, 2023 Document”). This has been the only document referred to by Armex as a plan.

On January 9, 2023, the CIM made the following four orders.

Order #1:

Within 90 days from the issuance of this order, Chieftain is to submit a plan to dispose of all site chemicals and reagents located on the Mine that are not required for the operation of the water treatment facility.

Order #2:

Within 90 days from the issuance of this order, Chieftain is to submit an updated operations and maintenance plan for the Acid-Water Treatment Plant that will achieve the environmental protection requirements and a schedule for when the plant will be operational.

Order #3:

Within 90 days from the issuance of this order, Chieftain is to submit a plan to reinstate the required environmental monitoring and reporting for the Mine as required by the permit and Section 10.7.21 of the Code.

Order #4:

Within 90 days from the issuance of this order, Chieftain is to submit a plan to institute a program of environmental protection and reclamation in accordance with the Code. The plan should specifically address s. 10.7.12 (watercourses), 10.7.20 (water quality) and 10.7.21 (monitoring) of the Code.

I find that Chieftain has failed to comply with Orders #2, 3, and 4.

First, although the December 29, 2023 Document from Armex is entitled “Preliminary Development Plan”, this document does not contain a “plan” within the context of the *Mines Act* and Code. A plan would be prepared by qualified professionals and include designs and details for implementation. Below are my reasons of why I do not consider Armex’s document to be “plans” per Orders #2, 3 and 4:

- Order #2, under heading “B” on page 6 of the December 29, 2023 Document, Armex states that it has engaged Associated Water Treatment (AWT) to produce and plan and budget for updating the existing water treatment facility. However, no such ‘plan and

budget' have been provided. In addition, and according to Armex, AWT has not yet reviewed the detailed inspection reports.

- Order #3, under heading "G" on page 14 of the December 29, 2023 Document there is a general description of where sampling sites might be placed. However, no detail is provided on when sampling is going to begin, how sampling is going to be carried out or how sampling results will be interpreted and analyzed in an Annual Reclamation Report.
- Order #4, under heading "C" on page 7 of the December 29, 2023 Document, these paragraphs are not a plan within the meaning of the Code. It is simply a list of activities to be done with no engineering work or design drawings.

The information provided under headings E and F of the December 29, 2023 Document is about future operation of the mine and extraction minerals and is not relevant to orders #1-4. The section regarding the dispute with the Chief Gold Commissioner is also irrelevant to me as the CIM.

Second, Order #2 required Chieftain to submit an updated operations and maintenance plan for the Acid-Water Treatment Plant that will achieve the environmental protection requirements. The document submitted by Armex was not prepared by a qualified professional and contains no detail. Therefore, I am not satisfied that the measures outlined in the December 29, 2023 Document will achieve environmental protection requirements.

Third, it was explicit in Order #2 and implicit in Orders #3 and #4, that the required plans include a realistic schedule for their implementation. Armex has failed to provide any schedule whatsoever. Instead, Armex states on page 18 that "a site visit by Armex and Armex mining and water treatment consultants is the required first step in developing a formal plan of rehabilitation."

While Armex notes that it is necessary to delay such visit until snow cover has receded at the mine site, Armex indicates that it does not intend to incur the expense of a site visit until Armex has a) applied for receivership of Chieftain; and b) "resolved" the dispute with the Chief Gold Commissioner's cancellation under the *Mineral Tenures Act* to Armex's satisfaction. Neither a) nor b) are relevant to my statutory powers as CIM. It is my understanding that Armex has not set any court dates regarding the Chief Gold Commissioner's decision.

In the December 29, 2023 Document Armex refers to EMLI and MOE approvals. If Armex requires approvals, it needs to make an application with sufficient detail to understand what approvals are being sought. This document is insufficient.

Chieftain has failed to provide any schedule or timelines for implementing any plans.

I find that Chieftain has not complied with my Order of January 9, 2023.

Although Armex has asserted rights associated with permit M-232, Armex has indicated its unwillingness to be responsible for the obligations under the permit.

Armex made it clear in their December 29, 2023 Document that:

“Since Armex’s interest in the project is as senior creditor, not owner or permittee of the property, it is not legally responsible for compliance with the orders”

Also, in Armex’s letter of April 3, 2023, Armex stated

“We note that since our interest is at present that of a secured creditor and not an owner of the Mine or holder of the Permit, we are not legally required to meet Chieftain’s obligations nor are we, in a number of cases (as noted below) we legally empowered) [sic] to do so.”

There have been environmental issues at the Tulsequah Chief Mine for many years. Armex has been the secured creditor since September 2022. Despite having notice of a possible cancellation of Permit M-232 if Chieftain failed to comply with the orders I made in January 2023, Armex has failed to take any steps other than writing the December 29, 2023 Document. Chieftain has taken no steps.

Therefore, I am cancelling Permit M-232 effective immediately.

Sincerely,



Hermanus Henning
Chief Inspector of Mines

Cc. Chieftain Metals Inc.