



January 9, 2023

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

Dear Chieftain Metals Inc.:

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 has already exercised remedies to address the non-compliances.

As a result, I am issuing orders under section 10.1 of the *Mines Act*. The Chief Inspector of Mines has provided ample opportunity for Chieftain Metals Inc. (“Chieftain”) to address the identified issues, summarized below, and bring the Mine back in compliance with the regulatory requirements. **Failure to comply with the orders below may result in cancellation of *Mines Act* permit M-232.**

Background re Mine Permit and Receivership

The Mine is located in the Northwest corner of British Columbia approximately 100 km southwest of Atlin BC. The Mine is an underground operation that produced ore from 1951-1957. The site remained dormant until the late 1980s when Redfern Resources Ltd. (“Redfern”) undertook exploration activities at the Mine. Redfern was granted permit M-232 in 2008. Redfern carried out several explorations and some construction activities at the Mine but went bankrupt in 2009.

Chieftain Metals Corporation and its subsidiary Chieftain Metals Inc. took control of the Mine in 2010. Chieftain Metals Inc. obtained a *Mines Act* permit amendment that allowed for limited construction activities; however, the site was placed in care and maintenance in June 2012. On Sept. 6th, 2016, Chieftain was placed into receivership under Grant Thornton Limited. The receiver was discharged on October 8, 2020. The previous main secured creditor of Chieftain

was West Face Capital Inc. (“West Face”). I understand that Armex Mining Corp. is now the main secured creditor of Chieftain.

Section 10.1 of the *Mines Act*

Section 10.1(1) of the *Mines Act*, provides:

(1) If the owner, agent, manager or permittee fails to comply with any of the following to the satisfaction of the chief inspector, the chief inspector may issue an order to remedy the failure by the date specified in the order:

- (a) the requirements respecting reclamation in the code or regulations;
- (b) the conditions of the permit, including the conditions respecting reclamation.

Section 10.1(2) provides the following:

(2) If the chief inspector issues an order under subsection (1) and the person to whom the order was issued has not complied with the order by the date specified in the order, the chief inspector may do one or more of the following:

- (a) order the owner, agent, manager or permittee to stop the mining operation;
- (b) enter on or below the surface of the mine and cause the required work to be performed or completed;
- (c) apply all or part of the security toward payment of the cost of the work required to be performed or completed;
- (d) close the mine;
- (e) cancel the permit.**

Evidence regarding the Section 10.1 Orders

These orders are issued based on the observations made by Inspector Carmody-Fallows during the October 3, 2022, inspection of the Mine, as documented in inspection report 197644 (“2022 Inspection Report”). A copy of the inspection report sent to Chieftain and West Face and was forwarded by West Face to Armex Mining Corp. (“Armex”) in October 2022. Inspectors Carmody-Fallows and Yague held a meeting with Malcolm Fraser and Allen Leschert of Armex on November 4, 2022, to discuss the contents of the 2022 Inspection Report and the current state of the Mine site.

#1 Plan to Dispose of Chemicals

Requirement Respecting Reclamation in the Health, Safety and Reclamation Code for Mines in British Columbia (“the Code”)

The Code, Section 10.7.19, Disposal of Chemicals and Reagents:

Chemicals or reagents, which cannot be returned to the manufacturer, shall be disposed of in compliance with municipal, regional, provincial and federal statutes.

Evidence of Non-Compliance:

The Chief Inspector of Mines previously arranged for chemicals at the Mine to be secured using Chieftains’s security. Although the chemicals were secured, there are still risks associated to the chemicals not being properly disposed of. Observations in the 2022 Inspection Report¹ are evidence that Chieftain has not disposed of chemicals and reagents in compliance with municipal, provincial and federal statutes.

Chieftain has failed to comply with the requirements respecting reclamation in section 10.7.19 of the Code.

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.

#2 Acid-Water Treatment Plant

Requirement in Permit Conditions:

M-232 Permit Amendment dated 7 July 2011, Conditions, C. Protection of the Land and Watercourses, 1. Drainage Collection System and Acid-Water Treatment Plant, (c):

All drainage collection and treatment facilities shall be operated and maintained for as long as necessary to achieve environmental protection requirements, as required by the Chief Inspector.

Evidence of Non-Compliance with Requirement:

Observations in the 2022 Inspection Report² are evidence that all drainage collection and treatment facilities are not being operated and maintained for as long as necessary to achieve environmental protection requirements, as required by the Chief Inspector.

¹ Inspector Carmody-Fallows’ observations, Area Inspected 2: Acid Water Treatment Facility and Storage Area and the attached mine inspection photos (pages 1-5) EW

² Inspector Carmody-Fallows’ observations, General Area Observations: Mine Site and Air Strip and Area Inspected 2: Acid Water Treatment Facility and Storage Area,

Chieftain has failed to comply with the condition of the permit regarding the Acid-Water Treatment Plant.

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.

#3 Annual Reclamation Reports

Requirements in Permit Conditions:

M-232 Amendment dated 7 July 2011 Permit Conditions, Conditions, C. Protection of the Land and Watercourses, 3 and 4:

3. The Environmental Monitoring and Surveillance Plan shall be implemented and updated over time to be consistent with permit requirements.
4. The Annual Reclamation Report shall include data and interpretation of site water quality monitoring outlined in the Environmental Monitoring and Surveillance Plan as well as a summary of the operation of the acid-water treatment plant, reagent use, water quality trends and updated cost estimate for operating and maintaining the acid water treatment system and sludge facility.

Evidence of Non-Compliance:

Inspector Carmody-Fallows' observations in the 2022 Inspection Report, General Area Observations: Mine Site and Air Strip and Area Inspected 2: Acid-Water Treatment Plant and Storage Area, state that the water treatment plant was not operating.

Further, Chieftain has failed to submit Annual Reclamation Reports to the Ministry since 2016. This is evidence that Chieftain is not following their Environmental Monitoring and Surveillance Plan as required by their permit condition.

Chieftain has failed to comply with the conditions of the permit, including the conditions respecting reclamation.

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.

#4 Reclamation Program

Requirement Respecting Reclamation in the Code:

The Code, Section 10.7.1, Reclamation Defined

It is the duty of every owner, agent, and manager to institute and, during the life of the mine, to carry out a program of environmental protection and reclamation, in accordance with the standards described in section 10.7.4 to 10.7.21 of the code.

Evidence of Non-Compliance:

Inspector Carmody-Fallows' observations in the 2022 Inspection Report, page 2 General Area Observations: Mine Site and Air Strip, Area Inspected 1: Mine site - Exfiltration Pond and collection works, and pages 6-10 of Mine site inspection photos, state and show:

1. That no reclamation efforts were observed to be made by Chieftain to the exfiltration pond and collection works;
2. That mine impacted water is discharging from the pond spillway,
3. Mine water is bypassing collection works upstream of the pond,
4. Mine water that is bypassing the exfiltration pond is pooling in the chemical storage area and infiltrating to ground, and
5. Mine impacted water is leaving the Mine site untested and discharging uncontrolled into the Tulsequah River.

This is evidence that the owner, agent, and mine manager is failing to carry out a program of environmental protection and reclamation in accordance with the Code.

Chieftain has failed to comply with the requirements respecting reclamation in section 10.7.1 of the Code.

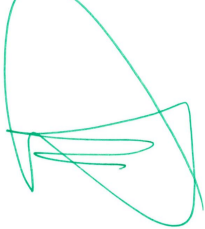
Order #4:

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.

Closing

Chieftain has had multiple years of inaction at the Mine and has not presented any plans to deal with non-compliances respecting the permit conditions or the Code requirements for reclamation. I have made four orders under section 10.1 of the Mines Act. Failure to comply with any or all four orders could result in the cancellation of Permit M-232.

Sincerely,



Hermanus Henning
Chief Inspector of Mines

CC: Armex Mining Corp.: adleschert@armexmining.com; mbfraser@armexmining.com
Peter Fraser, West Face Capital, Peter.Fraser@Westfacecapital.com
John Maynard, West Face Capital, john.maynard@westfacecapital.com
Braeden Stang, BLG, BStang@blg.com

Attached:

Inspection Report 197644 and associated inspection photos, dated October 3, 2022
Inspection Report 79876, dated September 26, 2016
M-232 Permit and Amendments, dated February 28, 2008 to June 07, 2012