

**MINISTRY OF ENVIRONMENT
NON-COMPLIANCE DECISION RECORD**

SECTION A: RECORD OF NON-COMPLIANCE

This section to be completed for the purpose of recording non-compliance.

Date initiated: December 6., 2012 **Initiator:** Lisa Torunski

Company/Individual: Chieftain Metals Inc.

Address: 2200-1055 West Hastings St. Vancouver BC V6E 2E9

Licence/Approval/Permit #: Auth 105719

Date of non-compliance: April 26th 2012

Non-Compliance (Act, Section): EMA 6(3)

Location of non-compliance: Tulsequah Chief Interim

Water Treatment Plant Sludge Storage Pond

Summary of non-compliance: On April 27th 2012 Joanne Thompson observed a seep expressing on the SW face of the IWPT Sludge Pond containment. Sludge appeared to have overtopped the pond liner on the wall nearest the seep and moved through a fissure in the bedrock before expressing on the cliff face above the river. Approximately 1kg of material had seeped through the wall of the pond.

Non-Compliance Decision Matrix Level: Level 1

Summary of environmental, human health or safety impact: The volume of sludge released was equivalent to approx. 1kg. The water volumes in Tulsequah River would have an immediate diluting effect on metal concentrations, but the deposition zone in the river; approximately 100m², could potentially impact benthic organisms in a localized manner. Due to the small volume of material involved, environmental, human health or safety impact as a result of this incident, are considered low.

Non-Compliance Decision Matrix Category: Category A

Compliance history: Most recent mine site incidents on file include an untreated mine water release (~275gal) May 11, 2012 and a Jet Fuel B spill (205 Litres) on March 15th 2012. Spill cleanup activities and associated remedial actions were provided in a follow up report on file with the Ministry of Environment.

Recommendation(s): This incident represents non-compliance with the permit requirements, specifically Section 2.1- unauthorized bypass. A follow-up report of the incident was received May 23, 2012. An in-situ sludge pH test indicated a pH of 9.3. Sludge samples collected on April 29 2012 confirm that the sludge is stable, inert and non-leachable, and comprised primarily of iron, aluminium and calcium oxyhydroxides. The site receiving water monitoring programme has sample points in the river both upstream and downstream of the seep location from which water samples were collected. Existing water quality data are being reviewed and there is no change apparent in downstream water quality. Follow up of the effectiveness of the remediation activities were observed during the September 2012 site visit by Jeanien Carmody-Fallows and Lisa Torunski. Note: Flag site for further follow up in 2013 as operations on mine site move forward.

Please enclose, if applicable:

- | | | |
|--|---|---|
| <input type="checkbox"/> Photos | <input type="checkbox"/> Video Footage | <input type="checkbox"/> DGIR# _____ |
| <input type="checkbox"/> Inspection form | <input type="checkbox"/> Permit/Approval/Licence | <input type="checkbox"/> Correspondence with any/all agencies |
| <input type="checkbox"/> Company/Property Searches (BC Online) | <input type="checkbox"/> File notes/sketch/site map | <input type="checkbox"/> Record of past non-compliance |
| | <input type="checkbox"/> Non-Compliance entry in program database | <input type="checkbox"/> Other |

Response (for optional internal program area use):

- Advisory Warning Directive Administrative Sanction Other

Signature (SH): _____ Date: _____

NOTE:

Sections B thru E were not completed since No further investigation is requested/required at this time