

Ref: 111969

September 2, 2020



Mr. Bruce Bando
Chieftain Metals Inc.
Chieftain Metals Corp.
c/o Grant Thornton Ltd. (Court Appointed Receiver)
11th Floor, 200 King Street West
Box 11 Toronto ON M5H 3T4
Email: Bruce.Bando@ca.gt.com

Dear Mr. Bando:

Re: Notice of Works and Lien Against the Mine Pursuant to Section 17 of the *Mines Act*

On October 24, 2016, inspection orders were issued (the “October 24, 2016 Order”) to Chieftain Metals Inc. (the “Permittee”) in relation to the Tulsequah Chief Mine (the “Mine”) pursuant to section 15(4.1) of the *Mines Act* for non-compliance with section 21 of the *Mines Act* and section 10.1.5 of the Health, Safety and Reclamation Code for Mines in British Columbia (the “Code”). Pursuant to section 35(1) of the *Mines Act*, subsequent orders were issued to the Permittee regarding ongoing compliance issues related to health, safety, and the environment at the Mine on July 4, 2017 (the “July 4, 2017 Order”).

In September 2017, because the Permittee had not taken any action to comply with the October 24, 2016 Order and the July 4, 2017 Order (as amended by the order of July 28, 2017), the Ministry of Energy, Mines and Petroleum Resources (the “Ministry”) expended \$148,000 from the security posted by the Permittee to reduce the environmental risks from materials left on the Mine site including the undertaking of works at the exfiltration pond.

In a letter dated October 27, 2017, the Chief Inspector of Mines determined that the Permittee was out of compliance with part 10.7.20 of the Code because of the Permittee’s failure to implement remediation strategies to address water quality impacts to the receiving environment, as well as permit conditions pertaining to protection of the land and watercourses. As a result, the Chief Inspector of Mines made an order (the “October 27, 2017 Order”) requiring the Permittee to provide the Chief Inspector of Mines with a plan that sets out remediation strategies and an implementation plan to mitigate the discharge of the acid rock drainage from the Mine into the Tulsequah River.

On August 8, 2018, the Chief Inspector of Mines sent a letter to the Permittee advising that the October 27, 2017 Order requiring the Permittee to provide a remediation and implementation plan remained outstanding, despite the Permittee’s submission to the Province of the Tulsequah Remediation Report prepared by SLR Consulting (the “SLR Report”). The October 27, 2017 Order remained outstanding because the SLR Report was inadequate: It did not address the

Ministry of Energy,
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Resources

Chief Inspector of Mines
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costing of the proposed remediation approach, the timelines in which the remediation strategies would be implemented or the management of the waste sludge.

In a letter dated December 13, 2018, the Chief Inspector of Mines informed the Permittee that the remaining reclamation security for the site would be put towards implementation of the reclamation and remediation of the Mine, and that any costs exceeding the security would be considered a debt due to the Province as per section 17(3) of the *Mines Act*.

On February 1, 2019, the Ministry retained SNC-Lavalin Inc. and SRK Consulting (“SNC/SRK”) to develop a reclamation and remediation plan that could support closure for the Mine. The reclamation security has been used to pay the costs of developing the reclamation and remediation plan.

The Ministry provided a copy of the draft preliminary reclamation and remediation plan to West Face Capital Inc. (“West Face”) on January 29, 2020, and to Grant Thornton LLP (the “Receiver”) on February 4, 2020.

On April 15, 2020, SNC/SRK provided a final version of the plan to the Ministry, entitled *Closure and Reclamation Plan for the Tulsequah Chief Mine Site, Near Atlin, British Columbia* (the “Preliminary Closure and Reclamation Plan”). The Preliminary Closure and Reclamation Plan contemplates, as summarized at page iv, a phased approach where the first phase would include implementation of the achievable core risk reduction measures based on current knowledge of the site. The Preliminary Closure and Reclamation Plan calls for the performance of risk reduction measures to be evaluated as additional data is collected at the site. Both the performance data and the additional information will be used in the second phase to make decisions for the eventual management of mine discharge. Activities to be undertaken in phase 1 include plugging portals in order to flood the Mine to reduce sulphate and metal leaching and undertaking further investigations to inform the decision as to how to address the ongoing discharge of contaminated waters from the Mine.

On April 24, 2020, the Ministry provided a copy of the final version of the Preliminary Closure and Reclamation Plan to the Receiver and to West Face.

This letter serves as notice that:

1. Pursuant to section 17 of the *Mines Act*, due to the continued non-compliance with the orders described above, I consider that work is necessary in, on or about the Mine in order to prevent danger to persons or property and to abate pollution of the land and watercourses affected by the Mine. As a result, I have initiated work (the “Work”) to be done at the Mine to begin to address these issues, which work began in August 2020.

The remaining reclamation security is \$316,000, The estimated costs of the Work is approximately \$1,600,000.

2. The Work will include:

- (a) establishing a camp to house personnel at the site;
- (b) replacing bridges, upgrading the access road, and repairing the existing airstrip, all of which is required to help mitigate environmental impacts and enable the safe movement of personnel and equipment to and throughout the Mine site;
- (c) commencing necessary studies to support water treatment options;
- (d) evaluating interim water treatment options and an engineering assessment of the water treatment plant that is on site;
- (e) conducting a light detection and ranging sensor ("LiDAR") survey to provide base contour information on the physical setting of the mine and periphery structures which is necessary for the development of engineering controls and design; and
- (f) commencing an aquatic monitoring study to support the development of an Aquatic Effects Monitoring Program and establish Science Based Environmental Benchmarks. These programs will be needed to monitor and inform remediation and closure of the Mine.

3. Any costs expended on the Work exceeding the remaining security will be considered a debt due to the Province and will form a lien and charge on the mine and mineral title in favour of the government, as per section 17(3) of the *Mines Act*. In addition, as set out in the letter from the Chief Inspector of Mines dated December 13, 2018, the costs of the Work exceeding the remaining security will be secured by a lien under section 14.06(7) of the *Bankruptcy and Insolvency Act* in the receivership.

Sincerely,



Hermanus Henning
Chief Inspector of Mines