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FILE NUMBER: 105719
105719(i)

July 25, 2012

Chieftain Metals Inc.
2 Bloor Street West, Suite 2000
Toronto ON M4W 3E2

Attn: Mr. Keith Boyle

RE: NOTICE OF NON-COMPIANCE AND WARNING

On June 6, 2012, Chieftain Metals Inc., sent a letter to Mr. Wade, Comin, Inspector, Environment Canada, with copy to Ian Sharpe, Regional Director, Environmental Protection, of the Ministry of Environment. The letter informed Mr. Comin, that the Company intended to cease operations of the mine water treatment plant at the Tulsequah Chief Mine site.

Subsequently, Chieftain Metals notified the Ministry that they had ceased operating the water treatment plant as of June 22, 2012 and were bypassing the authorized works.

Permit 105719 issued under the *Environmental Management Act* (EMA), on April 27, 2012 requires that water from the 5200, 5400, and 5900 portals and mine site runoff report be collected and treated through prescribed works specified in Section 1.1.5.

> ***1.1.5 The authorized works include, but are not limited to, a water collection and conveyance system, pumps, an acid water treatment plant which includes a neutralization chamber, rapid mix tank, flocculant tank, inclined plate-type separator/thickener, filters and holding tanks, a discharge line, outfall to the Tulsequah River, and related appurtenances approximately located as shown on Site Plan A.***

Further, Section 2.1 prohibits the bypass of authorized works unless there is written approval from the Director, or that it meets the conditions specified in Section 3.6, which allows for the discharge of neutral mine water from the underground that meets the limits specified in Section 1.1.3 of the authorization.

Ministry of Environment Skeena Region
Mailing Address:
Bag 5000
Smithers BC V0J 2N0
3726 Alfred Avenue
Smithers BC V0J 2N0
Telephone: 250 847-7260
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2.1 Bypasses

Any bypass of the authorized works is prohibited unless the approval of the Director is obtained and confirmed in writing.

Written Approval for the bypass of the water treatment plant was not obtained and the discharge does not meet the conditions specified in Section 3.6. As a result, Chieftain Metals Inc. is in violation of Section 2.1 "Bypasses" of Permit 105719.

Chieftain Metals Inc., is **warned that failure to comply with the terms and conditions of *EMA* Permit 105719 is a violation of the *Environmental Management Act*** which may be subject to prosecution or other enforcement action.

Subsequent to our May 11 discussion on the subject, you are reminded that Section 5.3 "Non-Compliance Follow-up" requires that a report be submitted within 30 days of the non-compliance providing all relevant test results related to the non-compliance and the remedial action planned and/or taken to prevent ongoing non-compliance. The report was due July 22, 2012.

I am requiring, pursuant to Section 16 of the *EMA,* that Chieftain Metals Inc., undertake the following:

- Immediately implement a weekly monitoring program to measure discharge quality of effluent bypassing the treatment system. Sample analysis must include the following parameters: pH, conductivity, total and dissolved metals (ICP/ICPMS), hardness and alkalinity. This requirement is in addition to the monitoring set out in Section 4.0 of permit 105719.

If you have any questions or comments regarding these requirements please contact Jeanien Carmody-Fallows, Jeanien.CarmodyFallows@gov.bc.ca at 250-847-7273.

Yours truly,

Ian Sharpe
For Director, *Environmental Management Act*
Skeena Region

ec: James Cuell, FLNRO
Wade, Comin, Environment Canada, Whitehorse
Dianne Howe, Ministry of Mines, Victoria
Kevin Nixon, COS, Smithers