

**Sent by Mail and by Email**

July 18, 2017

Mackenzie Valley Land and Water Board  
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Attention: Mr. Julian Morse

Dear Mr. Morse

**North American Tungsten Corporation Ltd. – Cantung Mine  
Care and Maintenance Plan - Directive  
Response relating to SRK Phase II Assessment of the Tailing Ponds**

The Mackenzie Valley Land & Water Board (“MVLWB” or the “Board”) issued a directive to North American Tungsten Corporation Ltd. (“NATCL”) on June 7, 2017 regarding a number of matters including (i) the results of the Phase II Assessment of the Tailings Ponds undertaken by SRK Consulting (Canada) Inc. (“SRK”), (ii) proposed changes to the Surveillance Network Program (“SNP”) described in the Water License MV2015L2-0003 and (iii) the outstanding Spill Contingency Plan and Biomangement Plan.

This letter addresses point (i) above – the results of the SRK’s Phase II Assessment of the Tailings Ponds. Separate responses to the other matters will be sent in due course.

In its June 7, 2017 directive, the Board stated that it was concerned about the potential environmental liability associated with the potential instability underneath the tailings ponds as well as the amount of time the NATCL was taking to produce a conclusive assessment of the potential risks.

We are pleased to attach a copy of SRK’s report and covering letter dated July 2017. For completeness we also attach a copy of the SRK Phase I Assessment report prepared in 2015. Together these reports (“Reports”) investigated the stability and potential liquefaction associated with the tailings facilities at the Cantung Mine. It should also be noted that the Phase II Assessment also included some preliminary investigation of Tailings Ponds 1, 2 and 5.

It should be noted that while significant field work was undertaken in the summer/fall of 2016, significant analysis was required to prepare the final report. Having received a draft report from SRK in the fall of 2016, NATC and INAC, together with SRK, determined that further investigation was warranted to gain a better understanding of the issues and to undertake more due diligence on the issues presented. This analysis took further time to complete as it involved engaging external consultants.

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In late 2015, operations at the Cantung mine ceased and the mine site was placed in care and maintenance. At that time, the site reverted back to the Government of Canada ("Canada") with Indigenous and Northern Affairs Canada ("INAC") and the Northern Contaminated Sites Program ("NCSP") funding care and maintenance activities through the Court-appointed Monitor, Alvarez & Marsal Canada Inc.

It should be noted that the Reports' conclusions involve a recommended remediation solution (a combination of buttresses and stone columns) selected by NATC at the time of the Phase 1 Assessment (2015) as being the most cost effective solution. Now that circumstances have changed and the site is no longer operating and is being funded by Canada, there are several potential other remedial options which may be considered by NATC and INAC.

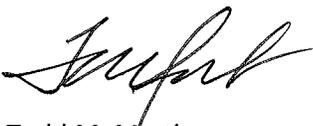
NATC recognizes that the safety and security of the tailings facilities are of the utmost importance and NATC continues to investigate these facilities to gain a better understanding of their stability and long-term closure options. This work includes the incorporation of the results of the Reports into the following: Annual Geotechnical Review (which includes having monthly data reviewed by the Engineer of Record), Five Year Dam Safety Review and the Phase III Environmental Site Assessment which is currently underway. These additional investigations aim to develop a better understanding of the current site conditions, the long-term stability of the tailings facilities and various closure options available to NATC.

NATCL will now consider how the results of the SRK Phase II Assessment may be addressed in the updated Care and Maintenance Plan which will be submitted to the Board.

In conclusion, NATCL appreciates the Board's patience in waiting to receive a final copy of the SRK Phase II report and look forward to further discussions on this matter. If you have any questions or require further information, please contact Callum Beveridge of Alvarez & Marsal (604-638-7447 or at [cbeveridge@alvarezandmarsal.com](mailto:cbeveridge@alvarezandmarsal.com)).

**NORTH AMERICAN TUNGSTEN CORPORATION LTD.**

by its Monitor, Alvarez & Marsal Canada Inc.  
acting in its capacity as Monitor of NATC and not  
in its personal capacity



Todd M. Martin  
Senior Vice President

Attachments (via a data site link to be provided by email):

- SRK covering letter dated July 17, 2017
- SRK 2017 Phase II Assessment of the Tailings Ponds
- SRK 2015 Phase I Assessment of the Tailings Ponds

cc: B. Delaney, S. Sherwood, Cantung Enviro, S. Laidlaw, R. Ambrosie, C. English, P. Jolliffe (NATCL),  
Callum Beveridge (A&M)  
Permits (MVLWB)  
J. Mackey, M. Westlake, S. Kennedy, A. Heslep (INAC)