March 4, 2020

Mackenzie Valley Land and Water Board
7th Floor – 4922 48th Street
PO Box 2130
Yellowknife, NT X1A 2P6

Attention: Sean Joseph

Dear Mr. Joseph,

Re: Interim Closure and Reclamation Plan Deferral Request

On December 10, 2018 the Mackenzie Valley Land and Water Board ("MVLWB") provided North American Tungsten Corporation Ltd. ("NATC") confirmation of a deferral of the Interim Closure and Reclamation Plan ("ICRP") for the Cantung Mine, required under Part J Condition 1 of Water Licence MV2015L2-0003. The MVLWB provided the deferral until "March 31, 2020 or 3 months prior to commencement of commercial operations, whichever comes first".

In keeping with these requirements, NATC has been actively engaged in site investigations to determine the scope of environmental impacts, physical hazards, geotechnical/geochemical concerns at the site and closure considerations. During this period NATC has continued with care and maintenance ("C&M") as well as monitoring required by the regulatory issuances for the site.

By way of this letter, NATC is seeking a further deferral of the ICRP to (i) allow for the finalization of assessment reports, (ii) conduct engagement with Communities on the findings of these studies and potential closure/reclamation options and (iii) enable the ongoing Joint Sales and Marketing Process for the Cantung Mine and Mactung Property by the Government of Canada (Cantung Mine) and Government of Northwest Territories (Mactung Property).

To better understand this request, the following sections summarize the current status of the site, the Joint Sales and Marketing Process, the ongoing site C&M, recent assessment and planning, engagement and reasons for deferral request.

**Current Site Status**

Due to a prolonged decline in the price of tungsten concentrate from June to October 2015, mining and milling activities ceased at the Cantung Mine in October 2015 and the mine site entered into C&M in late November 2015. On November 18, 2015 Canada determined that the Cantung Mine Site is a New Site Requiring Remediation, as per section 6.28 of the Devolution Agreement. The site was then
declared a Federal area under the Mackenzie Valley Resource Management Act ("MVRMA"). Notice was provided to the MVLWB under section 53.1 of the MVRMA that Canada is now responsible for this Federal area. Subsequently, the administration and control of surface land and rights were transferred from the Government of the Northwest Territories back to Canada.

Alvarez & Marsal Canada Inc. ("A&M") was appointed as the "Monitor" on June 8, 2015 when NATC initially filed for creditor protection under the Companies’ Creditors Arrangement Act ("CCAA"). Since November 16, 2015 when the Monitor was granted expanded powers under the Court Order, the Monitor has managed the affairs of the Company. Funding for the C&M period is being provided by Crown-Indigenous Relations and Northern Affairs Canada ("CIRNAC").

The Court granted an extension of the stay of proceedings under the CCAA until April 30, 2020. CIRNAC has committed to providing the necessary funding until that date. The Monitor on behalf of NATC shortly plans to request an additional extension to the CCAA stay of proceedings for a further one-year period to April 30, 2021.

In November 2016, NATC Cantung Mine applied for Closed Mine Status for the Cantung Mine under the Metal and Diamond Mining Effluent Regulations ("MDMER"), with approval currently pending. However, should the Sales and Marketing Process (outlined below) result in a new operator taking over the site then the site may revert back to “Commercial Operations” as defined under MDMER.

As the Cantung mine site has a very extensive history, NATC proposed to develop the Interim Closure and Reclamation Plan (ICRP) as three successive drafts with each evolving into a more refined and specific document than the previous. The first draft of the ICRP was submitted to the MVLWB in April 2015. The draft ICRP provided extensive background on the site, component descriptions, and multiple closure options being considered to satisfy the closure and reclamation objectives that were previously approved by the MVLWB in 2015. As presented in April 2015 correspondence with the MVLWB, the second draft of the ICRP would include additional information regarding all options considered, but not chosen. Any engineering and environmental studies completed would be discussed in this second draft of the ICRP.

Joint Sales and Marketing Process

The Monitor, on behalf of the Government of Canada (Cantung Mine) and the Government of Northwest Territories (Mactung Property) commenced a Joint Sales and Marketing Process for the Cantung Mine and Mactung Properties in August 2019 when it launched a Request for Qualifications ("RFQ") process. The RFQ sought proposals from qualified parties to purchase the Cantung and Mactung assets (the "Assets") and to perform certain remedial work at the Cantung mine to be outlined in the Request for Proposals ("RFP") stage of the selection process.

In October 2019, the Government of Canada and the Government of Northwest Territories shortlisted a number of parties to participate in the RFP stage. The Monitor and its legal counsel are currently working on preparing the RFP. Based on the current timeline, we anticipate selecting a preferred proponent towards the end of 2020 with a view to completing the sale of the Assets in 2021.
Ongoing Care and Maintenance

A small crew of experienced staff is employed by NATC to perform C&M activities at the Cantung Mine, under the management of the Monitor. The crew consists of twelve total staff, with six on-site personnel at all times, each on a three-week rotation with their cross-shift. Positions include a Mine Manager, Environmental Coordinator, Electrician, Surface Operator, Mechanic and Cook/Janitor.

C&M activities have followed the requirements of the Updated C&M Plan ("C&M Plan") dated September 5, 2017 and approved by the MVLWB on December 10, 2018. Monitoring and maintenance has also adhered to Water Licence MV2015L2-0003, as well as applicable Management Plans detailed therein. A summary of these ongoing activities includes but is not limited to:

- Surveillance Network Protocol (SNP) Sampling and Reporting (provided to the MVLWB monthly and via the Annual Water Licence Report), for both surface water and groundwater stations;
- Water use and sewage tracking;
- Waste tracking of incinerator, burn bin and landfill volumes;
- Operation of the site meteorological station;
- Mine water discharge monitoring (volume and quality);
- Environmental Effects Monitoring (last implemented in 2017 by RC Bio);
- Routine Flat River hydrological monitoring by site staff;
- Regular maintenance and re-installation of sediment and erosion control measures, and efforts to reduce the potential for ongoing sediment and erosion effects (e.g. quarry grading/ditching);
- Inspections of Fuel Storage facilities, buildings, and other site infrastructure;
- Maintenance of site airstrip, site roadways and Nahanni Range Road from km 184 to the Cantung mine site;
- Daily tailings pond (TP) inspections by site personnel;
- Geotechnical monitoring via slope inclinometers and piezometers within TP 3, 4 and 5 by site personnel with analysis and recommendations by the Engineer of Record (Tetra Tech);
- Annual Geotechnical Inspection of Tailings Storage Facilities – By the Engineer of Record (Tetra Tech);
- 5-Year Dam Safety Review (last conducted in 2017 by SRK Consulting);
- Application of dust suppression on TP 3, 4 and 5 (i.e. first as an irrigation type sprinkler system, followed by application in 2019 of the dust suppression product "Soil-Tac")
- Ongoing sampling of the eight field geochemical kinetic barrel tests;
- Updating Care and Maintenance Plan to reflect current site activities; and
- Activities to address any concerns stemming from Geotechnical Inspections and Land Use Inspections/Reports.

Through these efforts, the stability of site infrastructure and the health of the surrounding receiving environment are monitored. As documented in the 2018 Annual Water Licence Report (2019 to be submitted before March 31, 2020), and notwithstanding the need to conduct ongoing C&M, current site conditions remain stable.

The Cantung tailings dams have been inspected annually for several years, with the most recent inspection occurring in October 2019 (submitted to the MVLWB December 1, 2019). The inspection...
comprises a visual inspection of the dam structures as well as collection and review of piezometer and inclinometer data. The 2019 inspection indicated no cracking, settlement, or other signs of instability. Inclinometer measurements showed little change from the previous year’s measurements and piezometer measurements indicated groundwater levels are well below alert levels. The inspection indicated the dams are performing acceptably with no instability noted.

Geotechnical analyses are being completed as part of a mine site closure options assessment. Preliminary stability analyses show the dams are predominantly stable for static and pseudo static conditions. Post-seismic analyses show potential instability; however preliminary deformation analyses suggest associated ground movement is relatively small and there is a low risk of occurrence in the short-term.

Since entering C&M, NATC has also endeavored to implement progressive reclamation (as much as possible given the limited site presence during C&M). A summary of these tasks includes:

- Continued processing of uncontaminated used oil in waste oil furnaces to heat the surface maintenance shop;
- Tailings Containment Area Monitoring Plan (TCAMP) activities to better understand the Tailings Pond 1 and Tailings Pond 2 cover system;
- Collection of hazardous waste for removal from site;
- Removal and sale of heavy and medium-duty equipment from the underground and site facilities;
- Re-grading and drainage improvements as part of the closure plans for the former quarry site Land Use Permit (LUP #MV2009Q0049);
- Removal of 378.9 tons of scrap metal between June and August 2017; and
- Continuation of a multi-year site characterization and assessment programs.

Site Assessments and Investigations

In support of earlier closure and reclamation planning and development of the current ICRP, extensive studies were conducted by NATC to understand the nature of physical and chemical concerns at the sites and potential options to address these concerns. Since entering C&M, NATC and CIRNAC have evaluated the current state of knowledge of the Cantung Mine and implemented investigations/studies to address uncertainties.

In 2015 and 2016, SRK Consulting (on behalf of NATC) conducted desktop studies, field investigations and detailed analysis to better understand the effects of a possible seismic event and the resulting liquefaction potential of soils underlying the tailings facilities. These findings were integrated with extensive earlier geotechnical investigations conducted during active operations and first commencing in 1976 (though focused in areas of infrastructure present at the time). In 2017, Tetra Tech Canada Inc. (“Tetra Tech”) was retained by NATC as the principal consultant to complete a broad, multi-year program of environmental, risk, geochemical and geotechnical assessments, and remedial options/liability analysis for the Cantung Mine.

Following a Data Gap Analysis of previous assessment reports, Tetra Tech implemented field investigations in support of a Phase III Environmental Site Assessment (“ESA”) during the summers of 2017 and 2018. The extensive investigations included geophysical electromagnetic surveys, detailed
GPS surveys, sampling of potentially impacted media (i.e. soil, vegetation, groundwater, sediment and surface water), geochemical assessment of waste rock/tailings and hazardous building material assessments. As part of this program and in response to MVLWB feedback on the 2009 Phase II ESA conducted by EBA Engineering, extensive background soil sampling programs were also conducted in 2017 and 2018. The results of the Phase III ESA findings were used to implement a site-specific Human Health and Ecological Risk Assessment ("HHERA") for the Cantung Mine. To confirm the results of food web modelling within the HHERA, a small mammal trapping program was conducted during the 2018 field season.

As part of closure planning, Tetra Tech has also completed efforts to identify borrow and quarry sources to meet a range of potential closure options. This included terrain mapping during the 2017 summer season, combined with preliminary borrow/quarry assessment. Based on these findings, a focused borrow test pitting program was implemented at the Existing Landfill and Ski Hill Borrow sites during a 2018 field program. In 2019 an additional Land Use Permit (#MV2019S0009) was obtained for these areas to permit localized vegetation clearing and additional test pitting beyond the previously disturbed areas. Prior to conducting test pitting in these areas an Archaeological Impact Assessment was conducted, as well as Archaeological Preliminary Field Reconnaissance in several peripheral areas, including the Tungsten Townsite, the Flat River Tailings Area and the Upper Tailings Area.

During the 2017 field campaign Tetra Tech completed a Geotechnical Stability Assessment, for which the primary goal was to identify any major safety concerns which may affect workers during the closure process, or the general public who may attempt to gain access to the site after closure. This focused on mine workings, including the open pit and portals.

While the geotechnical dataset for the tailings ponds was robust, in 2018 data gaps and uncertainties were identified by Tetra Tech and centered on the depth and lateral extent of the liquefiable soils underlying the Tailings Ponds. During the 2019 field season a drill program was conducted utilizing Instrumented Becker Penetration Testing and Sonic Drilling to fill these gaps. This included construction of ramps to support mid-slope drilling of Tailings Ponds 3 and 4. Additional geochemical assessment was conducted of tailings within the impoundment facilities, with this data to be integrated with the previous geochemical assessment findings. While drilling contractors/equipment were onsite, supplemental drilling was also conducted downgradient of the fuel storage area to better refine potential impacts of the 1985 release of product from the fuel berm.

Tetra Tech is currently in the process of integrating data with findings of previous investigations, conducting required processing/analyses (e.g. liquefaction potential assessment) and preparing associated reports. In keeping with other CIRNAC funded remediation projects, interim/draft reports are reviewed by the Independent Peer Review Panel to verify approaches. Several of these reports are nearing completion (e.g. Borrow Assessment, Archaeological Impact Assessment, Phase III ESA and HHERA); however, some will require many months to conduct the necessary post-processing and report preparation, most notably the Geotechnical Assessment of Tailings Facilities.
Recent Engagement

Upon commencement of C&M, NATC submitted an Engagement Plan tailored to the nature of site activities. The approved plan dated October 2016 was most recently updated in February 2020 (at the direction of the MVLWB) to include Acho Dene Koe First Nation and some small additional updates.

In keeping with the approaches outlined in the Engagement Plan, NATC has provided written notifications, phone calls, in-person meetings (including within communities), site tours, developed a Communities Working Group (“CWG”), and has discussed preliminary findings for those assessment reports nearest to completion. In the most recent CWG held on February 20, 2020, participants were informed of the pending request for the deferral of the ICRP.

During these efforts, Community representatives have articulated requests to be informed of assessment findings, to be provided with assessment reports, to be involved in closure and reclamation planning processes and to be afforded sufficient time to provide meaningful input. NATC also believes that further engagement will be required before submission of an updated ICRP.

ICRP Deferral Request

NATC seeks a deferral of the ICRP for a period of 24 months (to March 31, 2022) or within 6 months after the commencement of commercial operations, (which will be depend on how discussions on the sales and marketing process develop), to allow for the following principal tasks to occur:

- **Joint Sales and Marketing Process**: If the Joint Sales and Marketing Process is successful in procuring a new operator for the Cantung Mine, this should be realized no earlier than December 1, 2020 (and potentially later). While a new operator will be required to continue Closure and Reclamation Planning, this must be tailored to the nature of their operations (e.g. additional hard rock mining, tailings reprocessing). As the ICRP is a closure planning document, the request that it be submitted within 6 months after the restart of commercial operations allows for a new operator to understand the site specific requirements relating to operations as well those that are necessary to prepare and submit an updated ICRP.
- **Completion of Assessment Reports**: The 2017-2019 phase of site investigations will be integral to understanding risk at the Cantung Mine and potential options for Closure and Reclamation. This is most pronounced for geotechnical considerations of the Tailings Ponds, for which processing of 2019 site data and report preparation is currently underway.
- **Engagement with Communities**: NATC wishes to ensure the results of site investigations are shared with Communities and significant time is provided to the Communities to engage meaningfully on potential Closure and Reclamation options.
We hope that the Board will approve this deferral request. Please feel free to contact Callum Beveridge at 604.638.7447 or cbeveridge@alvarezandmarsal.com should you have any questions.

Yours truly,

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

[Signature]

Todd M. Martin
Senior Vice President

Cc: MVLWB – J. Patten, Permits
INAC – J. Mackey, M. Yetman, S. Kennedy
NATC – B. Delaney, S. Laidlaw, Enviro Dept, C. Brown (consultant)