

November 29, 2014

Mr. Al Hoffman, P. Eng.
Ministry of Energy, Mines and Petroleum Resources
P.O. Box 9320 Stn Prov Govt
Victoria, British Columbia, V8W 9N3

Re: Chief Inspectors Order August 18, 2014 -Dam Safety Inspection report for Huckleberry Mines LTD.

Dear Mr. Hoffman:

Under cover of this letter, please find the 2014 Dam Safety Inspection (DSI) report for the 4 tailings and 5 seepage collection structures at Huckleberry Mines LTD and the results of the third-party review. The DSI report was prepared by the Engineer of Record for all tailings management facilities on site, Todd Martin of BGC Engineering and the third party DSI review was subsequently provided by Andy Haynes of Golder Associates Ltd.

The site inspection by BGC occurred over 2 days, from September 22 to 23, 2014. There were also satellite inspections conducted around these dates by the onsite BGC construction monitoring personnel. The site inspection by Golder was conducted on September 29th, 2014. Weather was good for all inspections, with no snow cover, allowing all facilities to be thoroughly viewed. The inspections were able to cover all required components of a Dam Safety Inspection, and there were no serious deficiencies pointed out in either report. Both inspection groups were able to provide HML with opportunities to improve the operation, maintenance and surveillance of all impoundment structures at Huckleberry Mines.

Huckleberry Mines LTD is committed to ensuring the safe operation of all tailings facilities and dam structures under our control. The active tailings facility, TMF-3, is inspected daily during construction and every few days during the winter season, when typically no construction occurs. TMF-3 also serves as our primary waste storage facility, so is regularly occupied by on-site personnel. DSIs are conducted on an annual basis and detailed Dam Safety Reviews (DSR) are conducted by a third-party engineer every 5 years, with the next DSR planned for 2015. All monitoring and surveillance practices meet industry standards and are regularly reviewed and updated to ensure proper information gathering is conducted.

The results of the Dam Safety Inspection and Review outline four items identified as priority action category 2. Three of these were corrected after receiving the draft report. The fourth, pertaining to the water level within TMF-3 being higher than the level of filtered core materials, was identified in early spring, 2014. A Water management course of action was successfully implemented and continues to be improved upon. At no time has TMF-3 operated outside of the Engineer of Record's specifications on maximum water level.

The third party review has noted one additional item which is being mitigated. This concerns a small crack about 2m from the as-built downstream crest of the saddle dam. The Engineer of Record representatives examined the crack and all parties are satisfied that it will be appropriately dealt with the completion of the downstream raise, which is currently underway.

As outlined in the DSI and confirmed by the third-party engineer review, no immediate safety or stability concerns were noted for Huckleberry Mines tailings management facilities or dam structures. The independent review has also confirmed the currently assigned Consequence Classifications for our dams. All tailings dams with a failure consequence classification of high, very high or extreme require a dam break and inundation study. This has been conducted by AMEC in 2009 for the major impoundments that existed at the time, and supplemented this year by an additional study to include TMF-3. We have an emergency

preparedness and response plan (EPRP) in place which has been tested. The test was conducted on November 18, 2014 and was broken into 2 main components. The first component consisted of the practical safety response from the operations group and was conducted as a live, real-time response to a theoretical tailings dam emergency. The results of this portion were very positive, with quick, thorough action taken by the Operations Supervisors. The second element of the test was conducted the next day as a tabletop exercise. All groups were to describe their response and responsibilities, and there was opportunity to discuss the effectiveness of our systems and opportunities to improve upon them.

Recommendations pertaining to maintenance and/or opportunities to further develop leading industry practices were identified in the DSI report. Table 2 has been provided by our Engineer of Record in order to rank the priority of the recommendations from the report against priority descriptors that are being used by MABC membership during this process. Huckleberry Mines LTD is taking steps to address each recommendation as required and as detailed in the below table. Items marked as Priority 3 were identified by the Engineer of Record as non-urgent and not expected to result in a dam safety issue. Recommendations marked as Priority 4 were identified by the Engineer of Record as opportunities to further meet industry best practices, but timeline for completion is more than one year. The recommendations registry is included in this submission as Table 2, and contains Huckleberry Mines' response to each item.

Huckleberry Mines LTD is focused on meeting the highest standards of safety for our tailings facilities. Annual inspection reports are one component of the comprehensive system in place for the safe operation and monitoring of our tailing facilities. These systems follow industry best practices, including all of the applicable guidance provided by the Canadian Dam Association and the Mining Association of Canada.

Please do not hesitate to contact me if you have any further questions regarding the operation, maintenance and monitoring of our tailings facilities.

Sincerely,



Kent T. Christensen P.Eng
Mine General Manager,
Huckleberry Mines LTD

Cc: Doug Flynn, MEM Smithers
Diane Howe, MEM, Victoria
George Warnock, MEM, Prince George
Heather Narynski, MEM, Victoria

Enc:

FILE NAME	DESCRIPTION
HML 2014 Dam Safety Inspection_FINAL.pdf	Dam Safety inspection – BGC Engineering
051413474-143-R-Rev0-2214-Independent Review of HML DSI Report 25NOV_14.pdf	Dam Safety Inspection Review – Golder Associates
Action Items commitments to Recommendations - DSI Submission 2014 .pdf	DSI Recommendation Commitments - HML
EMERGENCY PREPAREDNESS AND RESPONSE PLAN Nov 2614.pdf	Emergency Preparedness and Response Plan 2014
HML 2014 Tailings Emergency Preparedness and Response Plan Test .pdf	Emergency Response Plan Test Results - HML
Inundation study from Huckleberry OMS Manual Rev 1_FINAL_100709_Pages.pdf	TMF2 and EPPD Inundation Study – AMEC E&E
TMF-3 Dam Breach and Inundation Study_FINAL.pdf	TMF3 Inundation Study – BGC Engineering