



June 27, 2022

Mark Ayranto  
Chief Operating Officer  
Victoria Gold (Yukon) Corp.  
Suite 1000, 1050 West Pender Street  
Vancouver, BC V7X 1K8

By Email: [mayranto@vitgoldcorp.com](mailto:mayranto@vitgoldcorp.com)

Dear Mr. Ayranto

**Re: Determination of Financial Security for the Eagle Gold Mine**

The Government of Yukon has concluded its assessment of the outstanding liabilities at the Eagle Gold Mine and finalized the financial security determination, pursuant to Quartz Mining Act (paragraph 139) and Security Regulation (section 3 and 4). I have determined that the amount of financial security needs to be adjusted to provide for the costs that would be incurred by the Government of Yukon should it be required to reclaim the site

By way of this letter, and in accordance with section 5 of the Security Regulation and Quartz Mining License QML-0011 issued to Victoria Gold (YUKON) Corp ("VGC"), I am providing you written notice that the total security required to be furnished and maintained is \$68,662,300, inclusive of the \$30,780,939 currently furnished, no later than September 15, 2022.

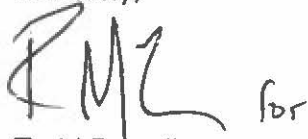
I have considered all of the information provided by VGC, our technical consultant, the First Nation of Na-cho Nyäk Dun, and the security pilot project with Yukon Water Board throughout this process. I have enclosed a document, Reasons for Decision, detailing the security determination process and rationale for decisions on the key security costing components.

Security must be furnished in a form as provided under the Security Regulation OIC 2007/77, and held to the order of the Government of Yukon, Minister of Energy, Mines and Resources. Should you wish to change the form of security that is currently held, my office must be notified of the proposed form of security no later than August 15, 2022. I will review this application and determine whether the proposed form is satisfactory.

M. Ayranto  
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Should you have any questions or concerns, do not hesitate to contact my office.

Sincerely,

A handwritten signature in black ink, appearing to be 'TPM' followed by a stylized flourish, with the word 'for' written in cursive to the right.

Todd Powell  
Director, Mineral Resources

cc: Chief, First Nation of Na-cho Nyäk Dun  
Director, Yukon Water Board Secretariat  
Natural Resources Officer, Major Mines Inspections

## 1. Introduction

The Government of Yukon has concluded its assessment of the closure-related risks and liabilities at the Eagle Gold Mine site (the "Mine") and finalized the financial security determination. The Government of Yukon has determined that \$68,662,300 in security is required, inclusive of the \$30,780,939 currently held by Government of Yukon. This document presents the process and rationale for the security determination.

## 2. Legislative and Policy Context

The security determination is based on the closure-related risks and liabilities of the Mine, and ultimately, the costs that would be incurred by the Government of Yukon if it were required to reclaim the site. The determination is made pursuant to the *Quartz Mining Act* (paragraph 139) and Security Regulation (OIC 2007-77, sections 3 and 4), and in accordance with the Quartz Mining License (QML-0011) issued to Victoria Gold (Yukon) Corporation ("VGC"). Additionally, relevant policy and guidance material is applied, including the Yukon Mine Site Reclamation and Closure Policy (2006), "Reclamation and Closure Planning for Quartz Mining Projects" (2013) and "Financial Guidelines" (2014).

The authority to determine the amount of security to be furnished, as set out in the *Quartz Mining Act*, is delegated to the Director of Mineral Resources Branch ("MRB"), Department of Energy, Mines and Resources.

## 3. Overview of Security Determination Process

In accordance with the provisions of QML-0011 (clause 7.2), VGC submitted an updated Reclamation and Closure Plan ("RCP") and proposed security estimate in October 2020 to MRB. As part of MRB's consultation process, as outlined in Section 4 below, MRB sent VGC's updated RCP and proposed security estimate to First Nation of Na-Cho Nyäk Dun ("NND") on November 10, 2020. MRB retained an independent technical consultant, GRIT Engineering Consultants Ltd. ("GRIT"), to support the review of the RCP and VGC's proposed security estimate, and development of MRB's security determination. This security determination process was conducted under a pilot project with the Yukon Water Board ("YWB"). Security determinations are based on 2-year peak liability.

Key milestones in the RCP review and security determination process are:

- October 23, 2020: VGC submitted RCP and associated security estimate in the amount of \$29,329,429.

- January 4, 2021: pilot project terms are finalized.
- April 13, 2021: Joint Information Request is issued to VGC from MRB and YWB through the pilot project.
- June 11, 2021: MRB received NND input on the RCP and the security estimate submitted by VGC in October 2020.
- November 4, 2021: VGC provides full response to the April joint information request, including a revised security estimate of \$54,850,451.
- March 4, 2022: MRB issues draft security estimate, in the amount of \$72,542,969, to both VGC and NND for input.
- March 23, 2022: MRB receives input from VGC, including a revised security estimate in the amount of \$60,713,653. This estimate is also provided to the YWB as part of the proponent's response.
- April 8, 2022: MRB receives input from NND on MRB's March security estimate.

#### **4. Consultation with First Nation of Na-Cho Nyäk Dun**

The Government of Yukon consults affected First Nations on security determinations for all mining projects in the Yukon. MRB consulted with First Nation of Na-Cho Nyäk Dun on the existing site liabilities, the planned reclamation and closure measures, and the amount of financial security. Representatives for NND were in communication with MRB during this review. The comments and viewpoints received from NND during the review period are included throughout this document.

#### **5. Cost Estimate Advancement during Review**

Throughout the review process, VGC has provided updates to their cost estimate in response to information requests and consultant reports. There were two significant changes to the original cost estimate provided in October 2020. In response to the joint information request from the Yukon Water Board and Mineral Resources, VGC increased their cost estimate by approximately \$25 million dollars resulting in a total estimate for peak liability of \$54,850,451.

Mineral Resources and GRIT used this updated cost estimate to prepare the draft cost estimate that was provided to VGC in March 2022. In response to the draft estimate prepared by GRIT, VGC increased their cost estimate by a further \$5 million dollars.

The cost estimate provided by VGC on March 23, 2022, with a peak liability estimate of \$60,713,653, is the estimate that Mineral Resources has used for comparison purposes throughout the remainder of this document, unless otherwise stated.

## 6. Key Security Costing Components

This section outlines the key security costing components that represent the most significant differences between the final security determination and VGC's most recent estimate. These components are:

- 6.1. Contingency Costs
- 6.2. Project Management and Engineering
- 6.3. Mine Water Treatment Plant
- 6.4. Heap Leach Facility Closure: Rinsing and Drain-down

### 6.1. Contingency Costs

GRIT has proposed contingencies be applied based upon the level of design and the confidence in the proposed closure measures, which VGC does not oppose. Contingencies based upon the level of design is consistent with the 2013 guidance "*Reclamation and Closure Planning for Quartz Mining Projects*" issued by the Government of Yukon and Yukon Water Board. The security estimate presented by VGC proposed reduced contingency for General & Administration, Heap Leach Pad, and Waste Dumps.

#### *Final Decision*

MRB has determined that uncertainty exists regarding logistics, planning, contractor and equipment availability should Government of Yukon be required to undertake reclamation and closure of the Mine in its present state of development. The Mine is in early production and closure planning is still at a preliminary stage. As presented in Table 1, MRB has accepted the contingency amounts recommended by GRIT for the Heap Leach Pad and Waste Dumps at 30%, and has accepted VGC's weighted average to address road maintenance uncertainties at 20.4%.

Table 1 Contingency Factors

Component	Contingency
General & Administration	20.4%
Heap Leach Pad	30%
Waste Dumps	30%

## **6.2. Project Management and Engineering**

Project Management and Engineering (PME) costs are added to project or program areas that need this type of support and oversight. It is an integral part of ensuring successful outcomes for any project. Throughout the review process, VGC has maintained that PME costs at 10% are appropriate for this project. However, YG believes this is a low estimate and not reflective of actual PME cost in the mining industry nor the Yukon. The 2013 Reclamation and Closure Planning for Quartz Mining Projects guidance recommends 18% for PME for projects in the Yukon.

### *Final Decision*

Project Management and Engineering costs have been set at 15% in acknowledgement that the infrastructure and associated closure measures, at the Eagle Gold Project are relatively simple, and require less complex engineering and management than other major mining projects.

## **6.3. Mine Water Treatment Plant**

The ability to treat mine-impacted water is a critical component of closure of the mine site. Currently, the Mine Water Treatment Plant is under construction and has yet to be finalized or commissioned. Comments received from NND (Slater Environmental) in June 2021 recommended that all capital costs for the water treatment plant be included, until such time as the plant has been constructed and commissioned.

As a possible alternative to cyanide destruction at the water treatment plant, the closure plan includes an in-heap pond bioreactor as an option for cyanide destruction within the heap. In their March 2022 cost estimate, VGC removed costing associated with this option and instead provided an estimate for cyanide destruction at the water treatment plant upon commissioning. VGC's estimate added operational costs to account for this inclusion and asserted that having costs associated with both the operation of the WTP and the in-heap pond bioreactor would be redundant.

### *Final Decision*

Capital and operational costs for water treatment, inclusive of cyanide destruction, have been included in the security determination. Until the construction of the mine water treatment plant is completed and the plant is commissioned, operational and performing as designed, MRB will include capital costs to address these uncertainties.

MRB considers VGC's approach of removing the costs associated with the bioreactor acceptable and has removed these costs from the final determination.

#### 6.4. Heap Leach Facility Closure: Rinsing and Drain-down

Rinsing and drain-down of the Heap Leach Pad occurs during Phase 6. Recirculation pumping requirements during rinsing and drain-down remain until such time that discharge rates from the Heap Leach Facility are aligned with the water treatment capacity. As presented by VGC in their response to the joint information request, there has not been a drain-down curve modeled for the 2-year peak scenario. Instead, VGC has used a ratio approach with the end of mine drain-down curve adjusting for the different assumed starting conditions. At the time of this determination, the in-heap pond volume has not been verified.

Although VGC has presented the Phase 6 pumping requirements over a 2-year duration, the data presented in the costing spreadsheet shows very similar drain-down pumping rates between the 2-year peak and EOM scenarios. GRIT has recommended costing for 4 years of drain-down pumping to account for the data presented and the uncertainties associated with modeling assumptions.

##### *Final Decision*

Rinsing and drain-down of the heap leach facility is a critical component of successful closure of this site. MRB has determined that 4 years of drain-down pumping should be costed until further information demonstrating that two years is sufficient can be provided.

## 7. Breakdown of Security Costs

Table 2 provides a detailed breakdown of MRB's security determination in relation to the cost estimates presented by VGC on March 23, 2022.

Table 2 Government of Yukon Final Security Determination

Description of Cost	VGC Cost Estimate	YG determination
T3 General & Administration	\$1,991,049	\$2,732,243
T4 Exploration Disturbances	n/a	n/a
T5 Closure Planning	\$929,698	\$929,698
T6 Pit	\$55,569	\$58,095
T7 Heap Leach Pad	\$3,723,223	\$3,892,460
T8 Waste Dumps	\$6,358,071	\$6,647,074
T9 Surface Facilities	\$10,693,730	\$11,179,809
T10 Infrastructure	\$392,469	\$410,309
T11 Waste Disposal and Remediation	\$173,135	\$176,809
T12 Landfills	\$142,673	\$149,158
T13 Roads & Trails	\$499,782	\$522,499

Description of Cost	VGC Cost Estimate	YG determination
T14 Water Management	\$251,130	\$262,545
T16 Interim Care & Maintenance	\$7,343,539	\$7,343,539
<b>Sub-total</b>	<b>\$32,554,068</b>	<b>\$34,304,238</b>
Indirect Costs	\$4,883,110	\$5,145,636
Contingency Costs	\$6,655,207	\$8,521,863
Cost Inflation	\$3,086,027	\$3,251,938
<b>Total Closure Implementation Costs</b>	<b>\$40,523,206</b>	<b>\$42,701,812</b>
Onsite Management	\$979,331	\$950,599
Transport Costs	\$58,806	\$57,081
Water Treatment Costs (Phase 6)	-	-
Active Treatment (Phase 6)	-	-
Capital Costs (included in T9, above)	n/a	n/a
Capital Replacement Costs	\$417,661	\$409,172
Operating Costs	\$2,445,645	\$4,952,915
Draindown Pumping (Phase 6)	\$2,459,510	\$2,459,510
Passive Treatment (Phase 7-8)	-	-
Capital Costs	\$242,575	\$242,575
Operating Costs	\$85,606	\$83,094
Reclamation & Closure Research Phase 6	\$28,057	\$55,290
Monitoring & Reporting	\$2,137,813	\$2,502,457
Post Closure Maintenance (Phase 7/8)	\$988,806	\$969,942
<b>Sub-Total</b>	<b>\$9,843,810</b>	<b>\$12,682,636</b>
Indirect Costs	\$1,476,572	\$1,902,395
Contingency Costs	\$2,214,857	\$2,853,593
<b>Total Care, Maintenance and Monitoring Costs</b>	<b>\$11,320,382</b>	<b>\$14,585,032</b>
<b>Total Closure Costs</b>	<b>\$51,843,588</b>	<b>\$57,286,844</b>
Contingency Amount	\$8,870,065	\$11,375,456
<b>Total Closure Costs (including Contingency)</b>	<b>\$60,713,653</b>	<b>\$68,662,300</b>



## 8. Closing

Having completed the assessment of security required for the Eagle Gold Mine, MRB, on behalf of the Government of Yukon, has determined that \$68,662,300 is required to be furnished to cover the costs that would be incurred by the government if it were required to reclaim the site. MRB has relied on the information provided by the licensee, the independent technical consultant(s), NND, and the information gathered throughout the pilot program to inform the security determination.

The licensee is directed to contact MRB regarding appropriate forms of security.

A handwritten signature in black ink, appearing to read "TP", is written over a horizontal line. To the right of the signature, the word "for" is handwritten.

Todd Powell, Director

Mineral Resources Branch

Energy, Mines and Resources

A handwritten date "June 27, 2022" is written in black ink over a horizontal line.

Date