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March 21, 2014

Mr. Cam Bentley
Lands Officer
Ministry of Forest Lands and Resource Operations
1st Floor, 3726 Alfred Ave.
Smithers, BC V0J 2N0

Dear Mr. Bentley:

Re: Seabridge Gold's Mitchell Treaty Tunnels ("MTT") Proposal for a Statutory Right of Way Across Teuton Resources' Treaty Creek Property—2nd Submission

Thanks for taking the time to talk to me about the various issues involved in Seabridge Gold's application for a Licence of Occupation through our Treaty Creek property. This letter is my second submission on this subject and should be read in conjunction with my first submission dated February 27, 2014.

I just recently realized that you are with Lands and Forests rather than Energy, Mines and Petroleum Resources, which may explain why you knew so little about condemnation drilling. Can you tell me, please, which Ministry is actually in charge of vetting the application process for the Licence of Occupation? Which government department will make the final decision on this matter and which departments have input into it? I would really like to have the answer to this question, and quickly too. I would also like to have the names of government officials involved in approving the Licence of Occupation and their email addresses.

I would specifically also like to know who in the Ministry of Energy, Mines and Petroleum Resources your department refers to for guidance in this matter. Is there a geologist who gives you advice? What is his or her name?

Let me summarize the issues I am going to deal with in this submission:

1. The role of condemnation drilling and governmental involvement therein;
2. A precedent for condemnation drilling when one party seeks to put a tunnel through another party's mineral claims;
3. Likelihood of mineral being found under the tunnel route;

[Redacted]

The role of condemnation drilling and governmental involvement therein

Condemnation drilling is most often done at the request of government but can also be done unilaterally by one mining company seeking to use portions of a second mining company's claims for its own purposes, such as building a structure on those claims. In either case it is done to ensure that the ground affected by the structure which is to be built does not lie over a valuable mineral deposit. If it were to lie over a deposit, then that structure could "sterilize" a mineral body from development. The condemnation drilling tests the ground underneath and near the structure to ensure that such sterilization does not occur.

In a publication entitled *GUIDE TO PROCESSING A MINE PROJECT APPLICATION UNDER THE BRITISH COLUMBIA MINES ACT* dated January of 2009 and released by the Government of British Columbia, you will find the following on page 59, Se7.3.1, under the heading, Mine Plan Overview:

An overview of the mine plan (or report and plan of the proposed work system) must be provided, including:

- A regional map showing the location of the mine property;
- A mine plan at an appropriate scale (1:10,000 or better suggested) showing topographic contours, mineral and land tenure, lakes, streams buildings, roads, railways, power transmission lines, pipelines, and the locations of all proposed or existing mining developments, related facilities and infrastructure;
- **A condemnation drilling report demonstrating that no resources will be sterilized through infrastructure development;** [emphasis added]
- An inventory of areas disturbed to date, and projected over the next five years and over the projected life of the mine; and
- Descriptions of mining methods, mining rates, projected mine life, processing methods and infrastructure requirements, demonstrating how the mine plan will maximize recovery of the resource.

Internet URL: <http://www.coalwatch.ca/sites/default/files/Guide-to-Processing-A-Mine-Project-Application-Under-The-British-Columbia-Mines-Act.pdf>

There are numerous occasions on which the government has required condemnation drilling before issuing a Mines Permit. I will give you an example taken from this news release by NovaGold:

The Ministry's findings are an important confirmatory step in the development of the Galore Creek project. NovaGold filed an application with the B.C. Government on June 21, 2006 to obtain a surface lease over a portion of the Grace claims where NovaGold intends to build a tailings and waste rock storage facility for the project. The B.C. Government owns the surface of the Grace property, and has the sole authority to grant surface rights to third parties. Before a surface lease can be granted, the Ministry must be satisfied that land under any structures or waste facilities does not contain any surface mineable economic

mineralization that would be isolated or sterilized from further development.

<http://www.novagold.com/section.asp?pageid=3417>

Another example is cited below, but this one deals with a case where the mining company seeking to build structures on third party mineral claims negotiates directly with the companies owning those mineral claims:

Abacus is negotiating Option Agreements and Right-of-Way agreements with a number of local landowners in order to acquire surface rights to certain lands on which mine infrastructure such as waste rock dumps and power lines might be located. In addition negotiations are ongoing with two companies holding mineral rights under the footprint of proposed Ajax Mine waste rock dumps and tailing dumps in order to reach agreement on appropriate condemnation drilling programs for these areas.

https://www.placespeak.com/uploads/assets/Ajax_Feasibility_Study_43-101_1.pdf

I could cite many more instances but I think these are adequate to reinforce the importance of condemnation drilling in these circumstances. Please note the following points: one, the government itself requires condemnation drilling before allowing infrastructure to be built on mineral claims, and, two, where structures are to be built on mineral claims held by a third party, condemnation drilling along with a negotiated settlement is common.

A precedent for condemnation drilling when one party seeks to put a tunnel through another party's mineral claims

You may not be aware of it, but in the 1980's Newhawk Gold was seeking to put a tunnel through claims held by Catear Resources. The area covered by these mineral claims is in the Brucejack Lake region, which is right next door to Seabridge Gold's KSM property. The Newhawk Gold property is the one that is today owned by Pretium Resources and the Catear Resources' property at that time was called the Gold Wedge.

The government required that two condemnation holes be drilled by Newhawk Gold over the tunnel route through Catear's ground. This was done and all information, drill logs and assays, was handed over the Catear Resources. The Inspector of Mines during that time period (Doug Flynn?) should be able to verify this.

It is our respectful submission that the same thing should be done in this instance. However, because the proposed tunnels through Treaty Creek area much longer, many more holes than just two will need to be drilled.

Likelihood of mineral being found under the tunnel route

My first submission also deals with this issue, but it is amplified in the current submission. BC Geoscience geologists have called the Treaty Creek-KSM-Brucejack-Stewart corridor one of the most prospective in British Columbia. Government geological mapping shows that the same units which underlie Seabridge Gold's KSM property pass northeastward into the Treaty Creek claims.

It further shows that key faults, such as the Sulphurets thrust fault, known to be related to the mineralization at KSM, passes into the Treaty Creek ground. A final point: although only minimal work has been done on our mineral claims in comparison to the \$400 million plus that has been spent on Seabridge Gold's and Pretium's ground to the south, Teuton and its optionees have already found significant mineralization which may be on the periphery of a large-scale porphyry-type deposit. One example is the 241m hole in the Copper Belle which ran 0.80g/t gold and which bottomed in mineralization.

Seabridge Gold maintains that their tunnel would be too deep to sterilize any deposits found at Treaty Creek. That argument may have had some validity five years ago, but with the recent discovery at the Deep Kerr deposit on the KSM property it is difficult to support. Seabridge Gold has also found deep mineralization below their Iron Cap deposit, the northeast extremity of which is only 800m from the Treaty Creek property.

The Deep Kerr now has an inferred resource of 515 million tons of 0.53% copper and 0.36 g/t gold and it will likely grow much larger as open extensions are drilled off. This is now shaping up to be one of the great copper gold-deposits of the world.

Seabridge Gold has rightfully compared the Deep Kerr to these famous mines/deposits:

Project	Owner	Location	Tonnes (millions)	Copper Grade (%)	Gold Grade (g/T)
Batu Hiju	Newmont	Indonesia	439	0.40	0.28
Bingham Canyon	Rio Tinto	United States	704	0.49	0.20
Cadia East	Newcrest Mining	Australia	1,600	0.29	0.49
Grasberg	Freeport	Indonesia	488	0.93	0.88
Oyu Tolgoi	Rio Tinto	Mongolia	1,040	0.46	0.31

Please refer to Figures 1 to 6 which accompany this submission as attachments (the figure numbers are in the lower right corner).

The first figure is taken from Savell's report on the Treaty Creek property (the report handed in by Seabridge Gold) and shows a section through the Konkin zone with the proposed tunnel intersection to the west. The second figure entitled "Deep Kerr-Mining Areas" is taken from Seabridge Gold's publicly released corporate information (on their website). The third figure is the same as the second, with a slice drawn in and a vertical distance of 1,200m shown from the mid-point of the surface down to the bottom of the slice. The 4th figure has that slice transposed onto the first figure, in order to show how a deposit like the Deep Kerr could lie below the ground directly in the area of the proposed tunnels. Were this to happen such a deposit would have a significant portion sterilized.

Figs. 5 and 6 show that the same thing would apply a bit further to the northeast in the area of the Copper Belle.

Without carrying out comprehensive drilling along the tunnel route, i.e., condemnation drilling, we will not know if one or more deposits like the Deep Kerr exist at depth. Such condemnation drilling was recommended by our geologist, E. R. Kruchkowski, P.Geo., in his report contained within the first submission to your office.

[Redacted]

Sincerely,

“D. Cremonese”

D. Cremonese, P.Eng.
President
Teuton Resources Corp.