

May 8, 2019



Dear :

Re: Your request for access to information under Part II of the *Access to Information and Protection of Privacy Act* (File # NR-74-2019)

On April 23, 2019, the Department of Natural Resources received your request for access to the following records/information:

In NR-42-2019 there is a reference to a meeting note for Marathon Gold Corporation, please provide a copy of this note and any other briefing, information, meeting, direction/decision notes relating to this company for the past three months.

I am pleased to inform you that a decision has been made by the Department of Natural Resources, confirmed by the Deputy Minister, to provide access to the requested records. The records are attached.

Please be advised that you may ask the Information and Privacy Commissioner to review the processing of your access request, as set out in section 42 of the *Access to Information and Protection of Privacy Act* (the *Act*). A request to the Commissioner must be made in writing within 15 business days of the date of this letter or within a longer period that may be allowed by the Commissioner.

The address and contact information of the Information and Privacy Commissioner is as follows:

Office of the Information and Privacy Commissioner
2 Canada Drive
P. O. Box 13004, Stn. A
St. John's, NL A1B 3V8

Telephone: (709) 729-6309
Toll-Free: 1-877-729-6309
Facsimile: (709) 729-6500

You may also appeal directly to the Supreme Court Trial Division within 15 business days after you receive the decision of the public body, pursuant to section 52 of the *Act*.

Please be advised that this letter will be published following a 72 hour period after it is sent electronically to you or five business days in the case where records are mailed to you. It is the goal to have the letter posted to the Completed Access to Information Requests website within one business day following the applicable period of time.

If you have any questions, please feel free to contact me at 709-729-0463 or rhynes@gov.nl.ca.

Sincerely,

A handwritten signature in cursive script that reads "Rod Hynes".

Rod Hynes
ATIPP Coordinator

MEETING NOTE
Department of Natural Resources
Marathon Gold Corporation
Monday, March 4, 2019, 4:00 PM
Fairmont Royal York Hotel, PEI Room, Main Mezzanine Level

Attendees:

Phillip Walford, President and CEO, Marathon Gold Corporation
Sherry Dunsworth, Senior Vice President of Exploration, Marathon Gold Corporation

Minister Siobhan Coady
Perry Canning, ADM, Mines

Purpose of Meeting:

- Marathon Gold Corporation (Marathon) requested a meeting with the Minister at PDAC to provide an update on its gold exploration project at Valentine Lake, central Newfoundland.

Background:

- Marathon is a Toronto-based gold exploration and development company with three ongoing exploration projects: two in Newfoundland and Labrador (Baie Verte and Valentine Lake) and one in Oregon, USA.
- Marathon's Flagship Project, Valentine Lake in central NL covers an area of 24,000 hectares. The Valentine Lake Gold Camp hosts four near-surface, mainly pit-constrained, deposits with measured and indicated resources totaling 2,691,400 ounces of gold at 1.85 grams per tonne and inferred resources totaling 1,531,600 ounces of gold at 1.77 grams per tonne.
- Marathon released an updated Preliminary Economic Assessment (PEA) on October 30, 2018 to incorporate drill results into an updated resource estimate for the Valentine Lake Gold Camp. The mine life has increased by two years to 12.2 years with an annual average production increase of 68,000 ounces to 225,100 ounces per year.
- The updated PEA included reduced preproduction capital to \$US355 million, a savings of \$US25 million from the previous PEA. After tax net present value has increased by \$US126 million to \$US493 million at five per cent discount rate. The after tax internal rate of return for the project is 30%.
- As part of its mineral licence assessment reporting requirements, Marathon has reported expending \$46.7 million to date on mineral exploration work at Valentine Lake.
- Marathon has received significant support for its exploration work through the Junior Exploration Assistance Program for a total of \$898,328.06 since 2010. Marathon acknowledges this support in each of its news releases.
- NR has been engaged with Marathon on the maintenance of the mineral licences and also has supported the company in addressing issues related to gating public roads, licence expiry, and recently, the matter of cabins/cottages located within the licenced area.

Agenda item #1: Project Update

- Marathon will provide a brief update on the Valentine Lake project; discuss the project time line in relation to the Federal and Provincial permitting process; and the heap leach option.

- On February 21, 2019, Marathon closed the sale of a 2% net smelter returns royalty (NSR) to Franco-Nevada Corporation linked to the Valentine Lake Gold Camp for gross proceeds of \$18 million. The proceeds will be used to carrying a program of engineering, drilling and environmental programs for the remainder of 2019, targeting completion of prefeasibility study by the end of 2019, advancing ongoing metallurgical test work, and advancing toward the critical path environmental assessment registration.
- The sale of a 2% net smelter returns royalty to Franco-Nevada Corporation applies to the entire Valentine Lake Gold Camp property and covers the sale of precious and base metals and minerals. Marathon has the option to buy back 0.5% of the NSR for \$US7 million until December 2022.
- In November, 2017 Marathon bought back a 3% precious metals NSR royalty and the 2% base metals NSR royalty on its Valentine Lake gold property in central Newfoundland from a third party for \$US8.7 million.

Analysis

- SGS Canada was awarded a metallurgical contract in August 2018 to conduct a comprehensive metallurgical evaluation of the deposit, building on previous positive metallurgical studies at the Valentine Lake Gold Project.
- The results from test work are expected in the second quarter of 2019 and will be used in support of the compilation of a Prefeasibility Study that is also expected by Q2 2019.
- Requests for proposals for the development of an Environmental Assessment registration description were sent to qualified consultants in early January 2019. The EA document is anticipated to be submitted to both provincial and federal agencies in March 2019

Potential Speaking Points

- The Minister may wish to congratulate Marathon on the recent news of \$18 million endorsement from Franco-Nevada for its net smelter royalty.
- The Minister may wish to congratulate Marathon on its exceptional level of exploration success and plans for mine development.
- The Minister may wish to indicate that the department will continue to support Marathon where possible and looks forward to the release of the Prefeasibility Study.
- The Minister may wish to indicate that the province is engaged with the Federal Government with respect to proposed changes to the Federal EA process.
- The Minister may wish to enquire how the Franco-Nevada gross proceeds of \$18 million will impact their 2019 exploration activities.

Proposed Actions

- NR will continue to monitor the developments at Valentine Lake and work with Marathon whenever possible.

Agenda item #2: Cabin / Cottage lease issues

- Though not on the agenda, Marathon may raise the issue of cabin/cottage Crown land tenure applications within Marathon's mineral licences.

Analysis

- Mineral licenses in the Valentine Lake area have been held since 2004 by various companies. Marathon has held these licences, at least in part, since 2011.
- Cabin/cottage occupation in the area previously was approved by Abitibi when the surface and timber rights were held by that company. According to the applicant, the cabin in the vicinity of the Marathon deposit pit has existed since 1990. Also, records indicate that Abitibi granted a permit for the cabin no later than 2006.
- NR has provided comments through a FLR referral process on applications within Marathon's licences (with the exception of two applications that were not sent to NR for review, dating from approximately 2012 and located in the far northeast of the licence area).
- FLR has a Cabinet-approved process that allows for the issuance of surface rights to cabins previously under Abitibi's jurisdiction. NR has appropriately provided feedback through a referral process on the cabin applications by advising on the presence of mineral resources, ongoing mineral exploration activities, and the possibility of a future mining operation corresponding to the Valentine Lake gold project.
- NR originally proposed an area within Marathon's licences where NR would reject applications for surface rights (other than those related to mineral resource uses) based on the anticipated mine development area by Marathon.
- Based on Marathon's recently updated project information, one cabin is located along the margin of a 500 metre blast zone that Marathon has outlined around the planned Marathon deposit pit; and another cabin (no application known) is on/adjacent to an area proposed for infrastructure development (including mineral processing facilities).

Potential Speaking Points

- The Minister may wish to communicate that NR consistently relays the interests of the mineral industry when providing referral responses to other government agencies concerning land tenure applications or other land use proposals.

Proposed Actions

- To be determined based on FLR's decision(s) on the issuance of surface rights to cabin owners located within Marathon's Valentine Lake mineral licences.
- Marathon will present the proposed scope of operations of the Valentine Lake Project to FLR prior to FLR rendering a decision on the seven outstanding applications.

Prepared/Approved by: B. Lawlor / K. Sheppard / A. Smith / P. Canning
Ministerial Approval:

February 22, 2019

Attachments: Biographies

Biographies

Phillip C. Walford, President and CEO, Director

Phillip C. Walford is the President and Chief Executive Officer of the Corporation since December 3, 2009. From March 2005 to November 2010 Mr. Walford served as the President and Chief Executive Officer of Marathon PGM Corporation. Mr. Walford was a founder of Marathon PGM Corporation and served as a director from October 2003 to November 2006 and from May 2007 to November 2010.

Mr. Walford has held senior management positions at Pamour Porcupine Mines Ltd., LacMinerals Ltd. Geomaque Explorations Ltd., and Hudson Bay Exploration and Development and has extensive international experience in gold and base metal deposits. As a result of his rich global experience, Mr. Walford places high value and importance on lessening risk and has modeled Marathon Gold on this premise.

Sherry M. Dunsworth, Senior VP of Exploration

Ms. Dunsworth is a M.Sc. graduate in Earth Sciences from Memorial University in St. John's, Newfoundland. She also received a B.Sc. Honours degree in Geology from St. Mary's University in Halifax, Nova Scotia.

Ms. Dunsworth is a professional geologist with over 30 years exploration experience, working throughout Canada as well as parts of Europe and South America. She was a member of the Mineral Rights Adjudication Board of Newfoundland and Labrador, served as Geoscience Councillor for the Association of Professional Engineers and Geoscientists of Newfoundland and Labrador, and is currently a Director with Mining Industry Newfoundland and Labrador.