



Energy, Mines and Resources
Box 2703, Whitehorse, Yukon Y1A 2C6

August 4th, 2011

Clynton R. Nauman
President and Chief Executive Officer
Alexco Keno Hill Mining Corp.
Suite 1150-200 Granville Street
Vancouver, BC
V6C 1S4

Dear Mr. Nauman,

Re: Approval of Reclamation and Closure Plan and Determination of Financial Security - Bellekeno Mine, Yukon Territory

Reclamation and Closure Plan Approval

Pursuant to section 9.2 of Quartz Mining License QML-0009 ("the License") for the Bellekeno Mine Project, Alexco submitted an update to the approved reclamation and closure plan for review and approval. This document is entitled "*Reclamation and Closure Plan, Bellekeno Mine, Keno Hill Silver District, January 2011*" (the "2011 RCP"). The document was received in my office on January 16th, 2011.

Following a careful review, I approve the 2011 RCP and it becomes the approved closure plan for the Undertaking, replacing the 2009 Reclamation and Closure Plan, as required under section 9.6 of the License.

It is a condition of this approval that an updated reclamation and closure plan for the Bellekeno undertaking must be submitted for review and approval no later than November 17th, 2011. This updated plan must include the following information:

1. All requirements outlined in the "Plan Requirement Letter" sent November 18th, 2009 from Robert Holmes to Clynton Nauman;
2. A plan detailing the construction, operation, and maintenance of the bioreactor at Bellekeno 625; and
3. Detailed costing for the construction and operation of the bioreactor.

For greater certainty, in reviewing and approving the submitted designs, neither I nor the Yukon Government make any representations or warranties as to the sufficiency or adequacy of the plans or designs. Further, you are reminded that the approval of the Chief pertains only to the Chief's responsibilities under the *Quartz Mining Act* and that

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for greater certainty, nothing in this approval limits the applicable federal or territorial laws, including the *Occupational Health and Safety Act* and related regulations.

Reclamation and Closure Financial Security

Alexco Keno Hill Mining Corp. ("Alexco") has furnished financial security with the Government of Yukon ("Yukon") for the Bellekeno Mine in the amount of \$2,808,000 at this time. I have considered the activities required to implement this 2011 RCP, the estimates of reclamation and closure costs provided by the Licensee and the results of the independent third party review of reclamation and closure costs. The results of the third party independent cost review have been forwarded to you under separate cover. After considering these matters, I am of the view that financial security needs to be adjusted to provide for all reasonable closure costs including contingencies.

Therefore, pursuant to section 11.2 of Quartz Mining License QML-0009, I am now providing you with written notice that the total security to be furnished and maintained by Alexco Keno Hill Mining Corp. within 60 calendar days of the date of this letter is \$3,678,100. This security must be in a form as provided under the Security Regulation OIC 2007/77.

As has been the case to date, the financial security to be furnished and maintained must continue to be held to the order of Government of Yukon, Minister of Energy, Mines and Resources pursuant to Quartz Mining License QML-0009.

Thank you in advance for your attention to this matter. If you have any questions on the requirements or the process to be followed, please do not hesitate to contact me.

Sincerely,



Tim Smith
Acting Director, Mineral Resources

cc: Brad Thrall, Chief Operating Officer
Chief Simon Mervyn Sr., First Nation of Na-cho Nyak Dun
Greg Komaromi, Assistant Deputy Minister of Oil, Gas and Mineral Resources
Robert Holmes, Director, Mineral Resources
Bob Truelson, Acting Director, Water Resources
Terry Anderson, Acting Chief Mining Inspector
William Leary, Natural Resources Officer, Mayo