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Update on Liability Cost Estimates for Minto Exploration's Minto Project

1. INTRODUCTION

1.1 Overview

SteveJan Consultants Inc (SJCI) has been commissioned by YG EMR to review liability cost estimates for the Minto Exploration's (MinEx) Minto Mine at Year 0 (mine start-up) and after Year 2 and suggest appropriate numbers. Draft reports were issued to YG in March 2007. The reports showed a significant difference with the estimates provided in the MinEx reports. A meeting was held on April 11, 2007 with Steve Januszewski of SJCI and a group representing MinEx to discuss the differences and endeavor to agree on cost estimates. Based on favorable results from the meeting and several follow-up conversations with MinEx and their consultants, agreement has been reached on the vast majority of items included in the cost estimates reports. This report provides an overview of the agreed-to cost estimates.

The review was undertaken for the account of the Yukon Government. SJCI is not responsible for any use of the materials within this report by any other party without the express written authorization of SJCI and YG.

1.2 Methodology Used in Conducting Review

The following points summarize the methodology used:

- The April 11, 2007 meeting involved a detailed review of the original Year 2 cost numbers prepared by Access Consultants for MinEx and those provided by SJCI. Access Consultants were able to tabulate the cost estimates by the two parties prior to the meeting to facilitate discussion. The group worked through the tables and was able to agree on the vast majority of areas of difference;
- Access Consultants was charged with the task of revising the cost tables for Year 2 as well as well as Year 0 using results of the meeting and to issue the report out for comments;
- Revised cost estimate tables for Year 0 and Year 2 were sent electronically to Steve Januszewski on April 17, 2007;
- SJCI reviewed the Access costs from the April 11 meeting and generated updated sets of tables (for Year 0 and Year 2) based on Access' revised cost estimates and any changes

SJCI considered to have not been correctly adjusted. Any discrepancies were reviewed with MinEx and Access until a resolution was achieved.

- Bob Holmes of YG EMR met with Bill Dunn of MinEx on April 25, 2007 and it is understood that the parties agreed to the numbers, as outlined in this report.

2. NOTES FROM APRIL 11, 2007 MEETING

2.1 Attendees

The meeting brought together a number of people who could provide information which would enable discussion on the individual line items.

In advance of the meeting, Access Consultants prepared a series of worksheets that itemized all the cost items and compared cost estimates for Year 2 from MinEx and SJCI.

Attendees at the all morning meeting included:

Company	Name
Minto Explorations	Bill Dunn
Access Consultants	Robert McIntyre Dan Cornett Stuart van Bibber
Pelly Construction	Jess Jewell
EBA Engineering	Richard Trimble
SteveJan Consultants	Steve Januszewski
Yukon Government	Bob Holmes (attended for final hour of meeting)

The group worked through the line items where there was disagreement and reached consensus on whose number to go with or to agree to a number somewhere in the middle.

2.2 Costing Adjustments Agreed to at Meeting

2.2.1 Unit Cost Rates

A number of changes were made to the unit cost rates. These included:

- A number of equipment hourly rates were adjusted based on numbers provided by SJCI;
- A number of personnel rates were adjusted based on numbers provided by SJCI;
- Revegetation and seedling plantings costs were adjusted based on numbers provided by SJCI;
- A number of custom rates were determined for various material movements on site, based on input from Jess Jewell of Pelly Construction;
- It was agreed that costs for making riprap were not required;
- Riprap placement costs were set at \$3/m³ based on the plans not requiring large-sized material, or delicate placement (vs \$5/m³ proposed by SJCI);
- The camp cost per manday was adjusted downward from \$110 to \$60, as both groups agreed the higher number was not accurate;

- Barge costs (for summer crossing of the Yukon River) were agreed at \$10,000/month based on information provided by MinEx, versus higher numbers used earlier in their DDRP report.

2.2.2 EPCM

The Engineering, Procurement and Construction Management (EPCM) task was revised to only include Project Management and Engineering. The term was changed to more accurately reflect what work will be required and the number was lowered to 7% (vs. original 7% by MinEx, 10% by SJCI) to reflect the lower work effort required.

2.2.3 Work Items

The basis of the cost estimate report was significantly changed from work effort (esp. equipment run hours) to being volumes based (esp. material type x to \$/m³ figure). The volumes utilized were based on the original DDRP with a number of adjustments provided by SJCI, whose earlier draft report was based on that system.

2.2.4 Contingency

The Contingency Factor was revised following some discussion. In earlier reports MinEx had used 10% and SJCI had used 20%. The factor was set at 12% based on the knowledge of the site and the tasks required to complete the work.

3. FOLLOW-UP COMMENTS ON REVISED MINTO COST ESTIMATE REPORTS

The revised Access Consultants costing tables reasonably reflect adjustments suggested at the April 11 meeting.

The tables (.xls format) are attached to this report and are titled:

- Yr0 Closure Cost SJCI; and
- Yr2 Closure Cost SJCI

The summary tables (Table 1 in each) provide comparisons of earlier cost estimates prior to the April 11, 2007 meeting and adjusted costs by both MinEx (or Sherwood Copper Corporation-SWC) and SJCI. The subsequent sheets (Tables 2-13) provide costing details.

A fundamental difference between the two parties is the inclusion of a 50% credit for asset sales and salvage of major buildings and infrastructure at the site by MinEx whereas SJCI is considering no residual value (for the purpose of setting appropriate securities). The item is not one that will be resolved in this report. It will be an item for negotiation between the Yukon Government and MinEx officials. The attached SJCI tables show these areas highlighted in yellow.

All other areas with costing differences have been resolved and agreed-to numbers are provided in the report.

A discussion on some of the resolved items, and several that will require on-going monitoring to ensure work is undertaken, is provided below:

3.1 Comments on Year 0 Revised Costing

Table 4.1

It was agreed that a safety berm/trench should be built above the highwall of the open pit. At the Year 2 date, the cost was dropped as it will be built during mining operations. However, at Year 0 it will not have yet been built. However, the item is a minor item (\$5,000) and was left out of the Year 0 cost estimate due to the limited safety issue at Year 0 with the highwall still being of a limited height.

Table 6.2

There was some discussion on how to remove the main water dam. It was agreed that the riprap comprising the downstream shell could be peeled off first and stockpiled nearby. Load-haul-dump (LHD) equipment would be used to move the upper (higher elevation) dam material to a stockpile location up on the south slope of the valley. Then, the remainder of the dam material to be removed would be pushed onto the lower slopes of the valley upstream and downstream of the dam.

Yukon Engineering Services (YES) provided revised quantity estimates of the products to be moved: riprap, dam fill - LHD and dam fill - push. Numbers were confirmed in follow-up conversations with Stuart van Bibber-Access and Jerry Quaille-YES on April 20, 2007.

Another item of concern was the cost to place overburden on the newly exposed slopes upstream of the main water dam after it is removed. The area will require the placement of overburden/growth media and the re-establishment of vegetation. For the material movement, MinEx proposed a unit cost (\$2/m³) based on a push of dam material as this material would be available and located immediately nearby. However, this material is not overburden/growth media and is therefore unsuitable for revegetation works. It was agreed that MinEx will immediately start stockpiling overburden material above the dam (adjacent to and below the access road) so as to enable final reclamation to involve a push rather than a longer haul from elsewhere on the site. This is similar to the plan for covering the Tailings Facility at closure. In that case a stockpile is also to be started immediately upslope (adjacent to the road) so as to have sufficient material on hand as the facility grows. Confirmation of the building of these stockpiles and the adequacy of volumes will need to be reported by MinEx in their QML and WL annual reports and for YG to check on during site inspections.

Table 7

A pledge of assets is sometimes used to cover the future costs of demolition of specific site facilities/buildings. However, it is not intended to cover all the other costs associated with closure and cleanup of the area (including fuels and hazmat removal, contaminated soils abatement, etc.). Table 7 of the revised Access report suggested that 50% of the entire area cost would be deducted through a pledge of assets whereas it should only apply to portions 7.1 (Mill Building) and 7.2 (Generator and Filter Buildings and Concentrator Shed). This point was agreed to by Stuart van Bibber in a telephone conversation on April 23, 2007.

Table 11.0

A revegetation plan must be prepared prior to commencement of any site reclamation and revegetation work at the site and thus \$5,000 was set aside to enable preparation of this plan, possibly based on limited revegetation trials. This point was agreed to by Stuart van Bibber in a telephone conversation on April 23, 2007.

Revegetation unit costs were changed to \$2,260 per hectare upon further discussion with Access. Earlier estimates were \$1,971/ha (MinEx) and \$2,410 (SJCI).

Re-forestation unit costs were changed to \$1,750 per hectare upon further discussion with Access. Earlier estimates were \$1,500/ha (MinEx) and \$2,000 (SJCI).

Table 12.1

Camp Costs – These were adjusted to include manpower requirements as provided in Table 7-1 in the DDRP report (2006) and an agreed-to man-day charge of \$60/manday from the April 11 meeting. This covers manpower requirements for a five-year period, anticipated to include 3 years of active decommissioning work and 2 years of initial post-closure site monitoring and maintenance, with 90 days of camp operation per year. It was agreed that subsequent manpower would not be staying on site in camp facilities but traveling back and forth daily, as required.

Table 12.2

Barge operating costs – MinEx provided information in support of the lower operating cost (\$10,000/mo) versus that used by SJCI (\$20,000/mo) that was also used in the earlier DDRP report.

Table 13

The revised cost estimate has dropped the provision for two additional studies suggested by SJCI including:

- ML/ARD assessment (\$10,000) was dropped as a program is MinEx outlined a program that is already being undertaken;
- Assessment of Growth Media Volumes for Reclamation Requirements – Discussion indicated that this study is already underway, and the \$15,000 provision was dropped.

MinEx's progress in undertaking the above items is to be reported in annual reports, as required under their QML and WL.

3.2 Comments on Year 2 Revised Costing

Most of the above items also apply to Year 2 costing estimations. The following are supplemental, and applicable to a mine closure after Year 2 of operation:

Table 5

During mining operations, MinEx is to build an overburden/growth media immediately adjacent to the tailings facility alongside the road above the facility. It will be used during final

reclamation, and material movement to cover the tailings surface can be undertaken using a dozer alone due to its proximity.

Table 13

A \$3,000 provision for a survey of potentially contaminated soils and the adequacy of the on-site Land Treatment Farm (LTF) was dropped after discussion identified that the LTF is separately licensed, and monitoring costs are included in Table 12. Any soils with hydrocarbon contamination would be removed to the LTF, during operations.

4.0 CONCLUSIONS AND RECOMMENDATIONS

4.1 Conclusions

The liability cost estimates for the site are currently estimated to be:

- \$4.004M to \$4.210M at Year 0; and
- \$4.244M to \$4.450M at the end of Year 2.

The above costs are in 2007 \$CAD. No discounting of future expenditures has been included.

MinEx's cost estimates are shown as being approximately \$330,000 lower for both Year 0 and end of Year 2 due to the inclusion of a 50% reduction in demolition costs of the mill, and several other buildings due to salvage values.

The range of numbers at the two dates reflects three options for the access road at the time of final mine closure, ranging from no access road de-activation to complete road closure and rehabilitation.

4.2 Recommendations

YG should meet with Minto Explorations to discuss the issue of using a pledge of assets to reduce their site liability. This could reduce the liability and security value by approximately \$330,000. However, it would involve the preparation of a comprehensive Asset Security Agreement. The meeting could also provide the opportunity to discuss the schedule and form of security payments.

Minto Explorations should update their 2006 DDRP report to incorporate the tasks and cost estimates agreed to during the process of developing a mutually agreed-to liability cost estimates for Years 0 and Year 2.

Minto Explorations needs to continue to practice responsible mining, undertake its progressive reclamation work, additional tasks mentioned in this report, and provide all required information including environmental performance in its routine monitoring and annual reports that is required under the Quartz Mining and Water Use Licenses.

Several of the additional items to add based on this report, include:

- Establishment of an appropriate overburden/growth media stockpiles adjacent to road above Tailings Facility and one adjacent to the access road above Main Water Dam;
- Construction of safety berm/trench above mine open pit highwall;
- Continuing with the ML/ARD assessment program;

- Completing the Assessment of Growth Media Volumes for Reclamation Requirements study.

Yukon Government should ensure MinEx complies with the conditions of its permits and licenses through regular site inspections and communications with company officials.

Respectfully yours,

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Principal
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Attachments: Yr0 Closure Costs SJCI.xls
Yr2 Closure Costs SJCI.xls

REFERENCES

Access Consulting Group, *Detailed Decommissioning and Reclamation Plan-Minto Project, Yukon Territory*, prepared for Sherwood Copper-Minto Explorations Ltd., dated November 2006.

Access Consulting Group, *07-04-17 Yr0 Table of Closure Costs-DRAFT*, Excel spreadsheet, received electronically April 17, 2007.

Access Consulting Group, *07-04-17 Yr2 Table of Closure Costs-DRAFT*, Excel spreadsheet, received electronically April 17, 2007

SteveJan Consultants Inc., *Liability Cost Estimate for Minto Exploration Inc.'s Minto Mine Project at the End of Year 2 of Mine Operations*, prepared for Yukon Government, draft report dated March 22, 2007.

SteveJan Consultants Inc., *Liability Cost Estimate for Minto Exploration Inc.'s Minto Mine Project at the End of Year 0 of Mine Operations*, prepared for Yukon Government, draft report dated March 20, 2007.

Van Bibber, Stuart, Access Mining Consultants Ltd., phone and e-mail communications, April 20-24, 2007 concerning closure cost elements for Minto Mine.