



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

December 22, 2005

Minto Explorations Ltd.
Suite 860 - 825 Howe Street
Vancouver, British Columbia V6C 2T6

Attention: Stephen P. Quin, President & CEO

Dear Mr. Quin:

Re: Requirement to Post Security – Quartz Mining Act, s.16(1)

As you are aware, the Minto Mine, as described in QLM -9902 (to be amended as QML-0001) (the "mine"), owned by Minto Explorations Ltd (the "company"), is located, in part, on Category A Settlement Land of the Selkirk First Nation (R-6A). In recognition of this, and the potential for damage to lands that may be caused as a result of entry for mining purposes and mining, I have determined that security must be furnished and maintained by Minto Explorations Ltd, pursuant to s.16(1) of the *Quartz Mining Act*.

Subsection 16(1) of the *Quartz Mining Act* states

16(1) No person shall enter on for mining purposes or shall mine on lands owned or lawfully occupied by another person until adequate security has been given, to the satisfaction of the mining recorder, for any loss or damage that may be thereby caused.

With respect to the amount, I have relied upon the report prepared by Access Mining Consultants Ltd, dated November, 2003, entitled *Minto Explorations Ltd. Minto Project Yukon Care and Maintenance & Interim Closure Plan* (the "Plan"). This document estimates decommissioning costs associated with the existing infrastructure at the mine to be \$451,439.00, exclusive of any decommissioning that may be required in relation to the access road to the mine.

To ensure that security is provided to meet these decommissioning costs, I have determined that, effective the date of this letter, security must be provided by the company as follows:

- (a) \$350,000.00 shall be provided
 - (i) prior to the company undertaking any further development, as defined in the *Quartz Mining Act*, at the mine (i.e. any development additional to that which has been initiated or completed as of the date of this letter); or
 - (ii) on or before September 1, 2006, whichever occurs first;

- (b) an additional \$200,000.00 shall be provided within six months of the date that further development is initiated, as described in subparagraph (a)(i), and
- (c) an additional \$100,000.00, no later than 30 days prior to the Start-up Date, as defined in QML-0001.

I should note that I am aware of the requirements for security to be furnished and maintained pursuant to the *Waters Act*, as outlined in Water Use Licence QZ96-006 and am aware of the fact that the company has, pursuant to that licence, furnished security in the amount of \$100,000.00.

It is my view that the amount set out above in paragraph (a), to be posted pursuant to s.16(1) of the *Quartz Mining Act*, (i.e. \$350,000.00), when taken with the amount already furnished pursuant to Water Use Licence QZ96-006 (i.e. \$100,000.00), constitutes adequate security for any loss or damage in relation to the mining activity and development that has occurred at the mine to date.

The remaining amount to be posted (i.e. \$300,000.00) is reflective of the anticipated potential for loss or damage that is associated with the remaining development that must occur at the mine to enable the company to commence production. Given that this amount is indicative rather than determinative of the amount of security that may actually be required for any loss or damage that may be caused, be advised that I will be periodically conducting a review of the security. This review may lead to the requirement that the company furnish additional security or the review may cause me to determine that a lesser amount of security needs to be provided under s.16(1) of the *Quartz Mining Act*. In this context, I can reaffirm for you that, in accordance with the applicable legislation, the Yukon Government is committed to implementing the principle that security posted should not exceed outstanding liabilities associated with the mine and that any subsequent requests for, or reductions in, security made by myself will accord with the requirements of the *Quartz Mining Act*.

Should you have any questions on the above, please do not hesitate to contact my office.

Sincerely yours,



Glenna Southwick
Mining Recorder Office, Whitehorse District

cc: R. Holmes, Director Mineral Resources