



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

May 16th, 2008

Pamela Ladyman,
Yukon Zinc Corporation
701 – 475 Howe Street
Vancouver, B.C.
V6C 2B3

Dear Pamela:

Re: Restructuring of Financial Security for the Wolverine Project QML-0006

I am writing to summarize the approach which Energy Mines and Resources (EMR) has agreed to follow in restructuring the various forms of financial security currently being maintained for the Wolverine Project. This summary reflects the discussions we have had with Yukon Zinc on this subject.

Financial security is currently being maintained under several regulatory authorizations in the amounts and forms as shown in the below table:

<i>License/Permit</i>	<i>Amount</i>	<i>Date Paid</i>	<i>Form</i>
B Licence QZ01-051	\$64,000	May 2005	Certified Cheque
Mining Land Use Permit LQ00140	\$755,546	January 15, 2007	Variable Rate GIC Redeemable Prior
	\$78,250	March 27, 2007	Term Deposit
	\$78,250	April 1, 2008	Variable Rate GIC Redeemable Prior
Quartz Mining License QML-0006	\$195,000	January 2, 2007	Variable Rate GIC Redeemable Prior
<i>Paid to Date</i>	\$1,171,046		

The Minister of Energy, Mines and Resources (EMR) has written to Dr. Meade, requiring an additional \$819,452, to be furnished and maintained in two equal installments of \$409,726 (each on or before May 30th and September 3rd of this year).

Should you wish to consolidate any or all of the security instruments, that would be acceptable, provided that any form of security is compliant with the Security Regulation, pursuant to the *Quartz Mining Act*.

Pamela Ladyman
Page 2
May 16th, 2008

We are of the understanding that you will be consolidating all security requirements shown on the above table into a single security instrument at the time of the furnishing of the second installment on or before September 3rd. At that time, the total security to be furnished will amount to \$1,990,498. This will comprise \$64,000 security pursuant to Water Licence QZ01-051 and \$1,926,498 pursuant to QML-0006. At the same time, all security instruments currently maintained under LQ 00140 and under QZ01-051 will be returned to you. EMR will ensure that the Dept of Environment is satisfied with this arrangement for maintaining the security required under the Water Licence.

In previous letters of March 30, 2007 and May 24, 2007, I had stated that:

1. An additional \$585,000 security is required to be furnished thirty days prior to the start of the Phase 2 road construction; and
2. An additional \$1,000,000 is required to be furnished thirty days prior to the commencement of construction of the industrial complex, other than the camp.

Both of these requirements are no longer in effect. They are replaced by the following requirement:

- An additional \$1,170,756 is required to be furnished no later than thirty days prior to the commencement of construction of the industrial complex, other than the camp.

In order to clarify the above requirement, the estimate for full site security, which was provided in the approved Reclamation and Closure Plan *Version 2008-02*, is \$3,161,254. Therefore, in addition to the \$819,452 security required by September 3, 2008, an additional \$1,170,756 security would be required in order to adjust the total security to the full site closure liability. This additional security will be required no later than thirty days prior to the commencement of construction of the industrial complex, other than the camp. It must be noted however, that the Minister may wish to establish a new site liability estimate at that time, if in his view, changes at the site warrant this additional review.

The Chief of Mining Land Use will be in touch with you separately to describe the requirements for a reclamation and closure plan and any financial security required under the Mining Land Use Operating Plan (LQ00140). This plan and security would be applicable to the Wolverine Lake exploration camp and exploration activities not already regulated under QML-0006 or QZ01-051.

Please contact me if you have any questions or concerns.

Yours truly,



Robert Holmes
Director Mineral Resources

cc: Chief Gordon Peter, Ross River Dena Council
Chief Liard McMillan, Liard First Nation
Jon Bowen, Director Environmental Programs