



Energy, Mines and Resources

Box 2703, Whitehorse, Yukon Y1A 2C6

November 5, 2014

Peter Rozee, President
Sä Dena Hes Operating Corporation
c/o Teck Metals Ltd.
3300 – 550 Burrard Street
Vancouver, BC V6C 0B3

Dear Mr. Rozee,

**Re: Sä Dena Hes Mine – Quartz Mining License QML-0004 Decommissioning Site
Audit and Determination of Financial Security**

I am writing to confirm our intention of reducing the financial security currently being held by the Government of Yukon for the reclamation and closure of the Sä Dena Hes Mine. This letter is intended to provide some background, including the rationale behind this determination, and to provide an opportunity for the Licensee to comment prior to a final determination of security return.

Background:

As described in my letter to yourself, dated July 24th, 2013, a site audit is required, prior to October 15th of each year, to assess the need for an increase or reduction to financial security. The audit would examine remediation activities that have been completed on site, the performance of closure measures taken, and the results of monitoring programs. A site audit was not conducted in 2013, as minor reclamation work was conducted in that year.

Sä Dena Hes Operating Corporation ("SDH") did however undertake a significant amount of decommissioning work in 2014 at the Sä Dena Hes Mine. Accordingly, a site audit was conducted on October 7th, 2014. This site audit was completed by myself, Erin Dowd (Mine Technologist) and Steve Januszewski (SteveJan Consultants Inc.). We were accompanied by Mr. Bruce Donald, Mrs. Michelle Unger, Mr. Gerry Murdoch (all with Teck Metals Ltd.), Mr. John Pugh and Mr. Chris Jeffrey (with AMEC).

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An independent review of the status of the decommissioning activities completed to date and the reduction in outstanding reclamation liability was conducted by SteveJan Consultants on the basis of this site audit and the written material provided by Teck Metals Ltd. The draft "SteveJan" report was provided to Bruce Donald and discussed via a conference call with myself and others on October 16th. The draft report from SteveJan Consultants will be finalized shortly and the final report will be provided to you under separate cover.

Status of Financial Security:

Sā Dena Hes Operating Corporation has currently furnished financial security with the Yukon Government for the Sā Dena Hes Mine in the amount of \$22,600,000. Considering the results of this review, including the site audit, the independent third party review, and conference call discussions, I am of the view that financial security can be reduced by \$17,658,151. This reduction would result in a revised financial security requirement of \$4,941,849.

It is intended that a similar audit and financial review process will occur prior to October 15th in 2015 to account for reclamation work carried out as of that date and any planned future reclamation and/or care and maintenance activities.

Our intention is to proceed to work, over the next few weeks, to effect this reduction in financial security held by the Government of Yukon.

Please let me know if you have any difficulties with our proceeding in this manner. Also, do not hesitate to contact me at (867) 667-3126 if you have any questions or wish to discuss.

Sincerely,



Robert Holmes
Director, Mineral Resources

cc: Bruce Donald, Reclamation Manager, Environment & Corporate Affairs
Chief Daniel Morris, Liard First Nation
Chief Brian Ladue, Ross River Dena Council
Heather Jirousek, A/Director, Water Resources
Justin Hooper, Natural Resources Officer