



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

February 26, 2015

Mr. Jing You Lu
Chief Operating Officer
Yukon Zinc Corporation
#410-700 West Pender Street
Vancouver, BC V6C 1G8

Dear Mr Lu:

Re: Wolverine Mine – Temporary Closure Plan

Thank you for meeting with myself and Pamela O'Hara on February 18. I'd also like to acknowledge and thank you for your letter to me dated February 20 wherein you set out several commitments to immediately ensure that personnel remain on site with adequate fuel and other equipment to properly care for the Wolverine site during the temporary closure period. It is very important that this support continue throughout the closure period.

One of the items that we discussed on February 18 was the fact that Yukon Zinc is not implementing the approved Temporary Closure Plan as required by the Quartz Mining License (the "License"). Several of these failures are detailed in the inspector's direction that was issued on February 13, 2015. In this letter I want to talk about the underground workings and the requirement in the Temporary Closure Plan that the underground workings be kept dewatered.

At our meeting you said that Yukon Zinc is currently working on an amendment to the Temporary Closure Plan which would propose flooding of the underground workings for a period of time. With respect to this proposed amendment, I want to note two things.

First, until the amendment is submitted and approved, the currently approved plan – which calls for the underground works to remain dewatered – is what must be implemented.

Second, I want to draw to your attention that flooding the underground workings, even for a short time, may have a number of impacts on other issues related to the site that will need to be considered. For example, allowing the underground workings to flood for a period of three months may not allow for the implementation of the final closure plan for the minesite. As you know, the final closure plan requires all waste rock stored on surface to be placed underground and requires the construction of two cement plugs in the underground ramp to isolate groundwater from surface meteoric water. I am also concerned that a period of flooding may prevent rehabilitation and access of the underground workings without significant financial investment or may not allow the workings to be rehabilitated at all.

Because flooding the underground workings, even on a temporary basis, may have significant impacts for the future management of the site, if Yukon Zinc decides that it wants to amend its Temporary Closure Plan to enable underground flooding, the application for amendment must include the following:

- a. a copy of the proposed amended Temporary Closure Plan; and
- b. a report from an engineer certified to practice engineering in the Yukon providing an opinion on
 - i. the possibility of dewatering and rehabilitating the underground workings after flooding has occurred for a three and six month period;
 - ii. the extent of the workings that would be flooded within three months;
 - iii. any other critical time periods or mine elevations affecting future access;
 - iv. the possibility of reopening the ramp and accessing remaining unmined reserves after dewatering flooded areas; and
 - v. the approximate costs involved in dewatering and rehabilitation.

I expect that the engineer's opinion would be fairly concise and could be done over several days as a desktop exercise, and could be done by an engineer with first-hand experience at Wolverine. We would have the report reviewed by an independent engineer of Yukon's selection in order to obtain a second opinion.

I should note that the engineer's opinion – as well as our own internal analysis – will be very important and thus if Yukon Zinc wants to proceed by flooding the underground it may be helpful to obtain this opinion immediately and in advance of completing your application to amend the Temporary Closure Plan. In this context, I will say that if the conclusion of the engineer and our analysis is that flooding of the underground workings may result in a situation where it is cost prohibitive or not possible to rehabilitate the workings Yukon may determine that the underground workings must be dewatered, filled with waste rock and sealed as per the final closure plan.

In closing, I remind you that until an amended Temporary Closure Plan is approved, the legal obligation remains to implement the currently approved plan which requires that the underground works remain dewatered. This requirement has, I believe, been reaffirmed in the recently issued Inspector's Direction. Thus, on both accounts, Yukon Zinc currently is legally obliged to maintain the underground works such that flooding does not occur.

Thank you for your attention to this matter.

Sincerely,



Robert Holmes, Director
Mineral Resources

cc: Justin Hooper, Natural Resources Officer