



September 11, 2022

Chris Stewart
Minto Metals Corp.
61 Wasson Place
Whitehorse, YT Y1A 0H7

Dear Mr. Stewart:

Re: Financial Security Payment Proposal and Restricted Operations

Thank you for your updated proposal of August 31, 2022 regarding how you plan to meet the full financial security obligation required for Quartz Mining License QML-0001 (the "License"). A cash payment was received on September 1, 2022, noted as partial payment to security required by my April 5, 2022 security demand.

Your Payment Proposal describes three main forms of security (1) cash in installments, (2) a cash reclamation fund and (3) a Surety Bond. Security in the form of cash and Surety Bonds are listed forms in the Security Regulations O.I.C 2007/77. A reclamation fund is not a listed form of security, but can be considered by Yukon provided it meets the interests of Yukon and Selkirk First Nation.

Yukon will require additional information, before coming to a determination on the acceptability and adequacy of all of the elements of the Payment Proposal.

This letter updates the restricted operating conditions and reporting requirements, which will remain in effect until the recent security demand, and any future revision, is fully met.

1. Reclamation Fund

The cash reclamation fund (the "Reclamation Fund"), while not specified in the Security Regulations, could constitute an alternate form of security, though further analysis is required. As such, please provide details of what you propose no later than September 23th, 2022, so that the suitability of this concept can be further evaluated.

2. Security Payment Schedule

The concept of payment of outstanding security within a schedule, while not preferable, is an acceptable approach in the current site circumstances. To be clear, MMC continues to be non-compliant with the security requirements in the License, and will remain in non-compliance until the specified amounts in condition 16.1 are fully furnished in an acceptable form(s). The schedule, as proposed, requires further discussion regarding frequency of payment, and amount of payment per determined period. Please note that acceptability of a payment schedule is contingent on MMC's continually decreasing site liabilities and environmental risks.

In order to provide time to work out the details of the proposed payment schedule beyond October 1st, it will be necessary to remit another \$1,000,000 CDN in cash with Yukon, on or before October 1, 2022. Please note that Yukon will not provide extensions to that payment date.

3. Restricted Operating Conditions

Notwithstanding its failure to furnish security as required in condition 16.1 of its License by April 5, 2022, MMC has been authorized to continue development and production activities in a restricted manner since that date. These restrictions were put in place to reduce Yukon's exposure to environmental risks and liabilities. Under these conditions, MMC has been authorized to continue activities on site provided that MMC focuses on reducing site liabilities through water management and treatment, and progressive reclamation activities. The updated restricted operating conditions are found in Appendix 1 in this letter, and will remain in effect until such time as you receive a notice from me, in writing, of their change or removal.

This situation remains unique, in that an operating mine is allowed to continue development and production while not yet fully addressing required financial security for reclamation and closure liabilities. To date, it is recognized that Minto Metals Corp's ("MMC") efforts to the requirement are ongoing, and may be achieved in the near term.

What is also clear is that MMC is simultaneously focussing on reducing site liabilities to further address reclamation and closure obligations. Yukon is prepared to respond to liability reduction applications, so as to ensure further site closure liabilities are being addressed proactively. These actions represent a positive trend in managing site liabilities and moving towards meeting security requirements. A continuous and positive trend is imperative until security is fully remitted, in order to continue development and production while in the restricted operating conditions circumstance.

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I look forward to continuous progress towards liability reductions. MMC demonstrates daily its commitment and abilities to improve site reclamation and closure conditions. While all of the elements from your August 31st proposal aren't deemed acceptable at this time, further discussion is available to ensure an acceptable payment schedule can be achieved. I look forward to continued tri-lateral efforts between the parties. Should you have any questions or concerns do not hesitate to contact me.

Sincerely,



Todd Powell
Director, Mineral Resources

cc: Chief Darin Isaac, Selkirk First Nation
Kevin McGinty, Selkirk First Nation
Matthew Jenner, Major Mines Inspections
Loralee Johnstone, Minto Metals Corp.

Appendix 1

Recognizing that it remains in Yukon's best interest for MMC to remain on site reducing site liabilities and maximizing water management and treatment capabilities, please note that conditions will remain in place, and can be revised as necessary, in order to mitigate potential increases to reclamation and closure liability. As such, Yukon is prepared to allow MMC to remain on site under revised restricted operating conditions. Therefore, pursuant to condition 16.5 of the License, and as of the date of this letter, I am hereby revising the conditions for restricted operations (the "Restricted Operating Conditions") as follows:

- 3.1. At any time, the cumulative available water storage capacity in the Tailings Management Facilities and Water Storage Pond must not be reduced below 571,996m³.
- 3.2. Minto Metals Corp. must not reduce the cumulative available water storage capacity in Main Pit Tailings Management Facility and Area 2 Pit Tailings Management Facility (the "Tailings Management Facilities"), as a result of tailings placement, storage of waste rock and ore, underground mine dewatering activities, and any other project activities that impact water storage capacities.
- 3.3. MMC must reasonably increase the available cumulative water storage volumes, inclusive of snow and ice water equivalents, in the Tailings Management Facilities on a biweekly basis, above the cumulative volume of 333,639m³ that was reported in the report provided by MMC on August 31, 2022.
- 3.4. MMC must maintain a sufficient inventory of water treatment and management supplies for the periods where access by barge or ice road is not possible. This includes, but is not limited to, filters, reagents, back-up pumps, piping, and necessary spare parts.
- 3.5. MMC must not increase onsite liabilities and must focus on the reduction of risks and liabilities.
- 3.6. Progressive reclamation activities are to be conducted as early and frequently as possible.
- 3.7. The surety bond currently held in the amount of \$72,143,153 must remain in good standing with no notice of termination from Zurich Insurance.
- 3.8. MMC must fulfil the security payment established in this letter, and any subsequent payments established by me in writing.
- 3.9. MMC must continue to make best efforts to find financial security in acceptable forms listed in the Security Regulations O.I.C 2007/77
- 3.10. MMC must remain in full compliance with all conditions of their Quartz Mining License QML-0001.

In order to ensure MMC is meeting the Restricted Operating Conditions a bi-weekly report must be submitted. The next report must be submitted on September 21, 2022, covering the period of Sep 7 to Sept 20, 2022.

The bi-weekly reports must include, at a minimum, the following information:

- (a) Ore and waste volumes stored on surface, measured in cubic meters;
- (b) Tailings produced, measured in dry metric tonnes.
- (c) Tailings placed in Tailings Management Facilities, measured in cubic meters.
- (d) Volume of water placed in Tailings Management Facilities as a result of underground mine dewatering activities.
- (e) Volume of waste brine deposited into the Tailing Management Facilities as a result of water treatment from the Water Treatment Plant.
- (f) Available storage volumes in Main Pit and Area 2 Pit tailings management facility and Water Storage Pond.
- (g) An inventory and supplies list for water management and treatment aspects and the amount of time that inventory will cover.
- (h) Water volumes reporting to snowmakers, areas and volume of created snow piles(s), and approximate liquid-water equivalent held in the snow pile(s).
- (i) Water volumes reporting to evaporators, number of evaporators in operation, and approximate efficiencies of evaporators.
- (j) Security payments made in the reporting period, if applicable.
- (k) A progress report on MMC's efforts to secure financial security in acceptable forms listed in the Security Regulations.

Yukon will review the reports to ensure environmental liabilities and risks are not increased on the site, and are in fact, reduced. Specifically, Yukon will look at the reports to evaluate (1) if the cumulative available water storage capacity in the Tailings Management Facilities and Water Storage Pond is being negatively impacted by MMCs site activities, (2) if the cumulative water storage volumes in the Tailings Management Facilities is increasing, and (3) if the security payments are being made and will continue to be met. These factors will be used to determine if any updates are required to these conditions.