

YUKON
ENERGY



YUKON ENERGY
CORPORATION

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December 21, 2006

Yukon Utilities Board
P.O. Box 31728
Whitehorse, YT Y1A 6L3

Attention: Ms. Wendy Shanks, Acting Chair

Dear Ms. Shanks:

Re: Power Purchase Agreement (“PPA”) between Yukon Energy Corporation (“YEC”) and Minto Exploration Ltd. (“Minto”)

As was indicated by YEC during the Resource Plan review process, YEC and Minto have been negotiating a PPA for the supply of electricity by YEC to Minto from a transmission line to be developed by YEC as part of Stage One development of the Carmacks-Stewart Transmission Project (the “CS Project”).

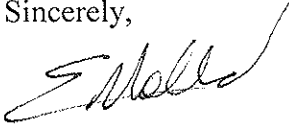
YEC is pleased to inform the Board that YEC and Minto have reached agreement on the key terms to be included in the PPA as outlined in the attached Term Sheet, including a \$7.2 million customer contribution to the CS Project, a \$24 million minimum take or pay power purchase provision within the first 8 years of YEC service, security to be provided by Minto for these commitments, and other ongoing measures to ensure no adverse rate impacts on other ratepayers in Yukon. As noted in the Term Sheet, the PPA will not be effective until it is approved by the YUB, and to complete the Transmission Project prior to the end of 2008 such approval will be needed on or before April 30, 2007. Accordingly, YEC and Minto have agreed to finalize the PPA as soon as feasible prior to the end of January 2007.

YEC will file its application to seek YUB’s approval as soon as the PPA is finalized. The Board’s approval will be sought for various new rates, including a new firm mine power rate providing for projected 2008 costs of service for the Major Industrial Customer class that yields an estimated average charge to the Minto Mine of approximately 10 cents per kW.h. In its application YEC will ensure that it provides the YUB with sufficient evidence to confirm that the rates negotiated between the parties are in full compliance with Order-in-Council 1995/90. It will also provide evidence to demonstrate that such rates are sufficient to cover costs of service to the Major Industrial Customer Class.

As noted in the Term Sheet, although the YUB will retain the right to review this new firm Mine rate on an on-going basis, it is contemplated that there will be no need to adjust the rate absent a material change in circumstances such as the connection of another Major Industrial Customer.

If you have any questions regarding the above please do not to hesitate to give me a call.

Sincerely,

A handwritten signature in black ink, appearing to read "D. Morrison". The signature is fluid and cursive, with a long horizontal stroke at the end.

for David Morrison
President & CEO