



October 7, 2005

**To:** Urban Casavant, President, CMKM Diamonds Inc.  
The Shareholders of CMKM Diamonds Inc.  
Don Stoecklein, Legal Counsel for CMKM Diamonds Inc.

**From:** Stephen Brown, Chief Financial Officer, Nevada Minerals Inc.

**Re:** Default of Operating Agreement between CMKM Diamonds and Nevada Minerals Inc.

Dear Mr. Casavant,

This communication is being initiated as a result of the failure of CMKM Diamonds to honor its contractual agreement with Nevada Minerals Inc. regarding the operation of the American Shaft Mine in Portovelo, Ecuador.

As you are aware the agreement calls for CMKM Diamonds, hereafter referred to as the owner, to reimburse all operating expenses paid by Nevada Minerals Inc. and its wholly owned Ecuadorian subsidiary, Minera Nevada SA, hereafter referred to as the operator, as well as remit 20% of the all revenue from gold sales as an operator's royalty.

As of September 30<sup>th</sup>, 2005 CMKM Diamonds is responsible for remitting to Nevada Minerals Inc. \$632,971.53 which includes mine operating expenses paid directly by the operator as well as the 20% revenue royalty as per the contract.

As of October 31<sup>st</sup>, 2005, Nevada Minerals expects to incur and pay an additional \$60,000 in operating expenses, as well as receive \$13,500 in gold sale royalty.

**Taken with the current outstanding balance the operator expects the outstanding debt of CMKM Diamonds to reach 706,471.53 by October 31<sup>st</sup>, 2005.**

As you are aware from the original operating agreement and your trips to the mine in Portovelo, Ecuador, it has been estimated that operating and upgrading expenses may reach up to \$2.8 million for the American Shaft Mine, and as such we the operator demand an immediate certified check for the total outstanding balance of \$706,471.53 to October 31<sup>st</sup>, 2005. Also we demand CMKM Diamonds provide a concrete plan and

timeline in writing going forward, as to how the owner will compensate the operator for future operating expenses and gold sales royalty.

Given that the owner CMKM Diamonds Inc. is currently in contractual default resulting from it's failure to pay the September 30<sup>th</sup> 2005 outstanding balance of \$632,971.53, failure to provide immediate payment for the outstanding balance by October 14, 2005 will place the owner, CMKM Diamonds Inc. in a position of second contractual default, and at such time the operator, Nevada Minerals Inc. will seize and take immediate possession of the American Shaft Mine, located in Portovelo, Ecuador.

Nevada Minerals regrets that we have reached this impasse in our operating agreement, and looks forward to a quick resolution of this situation for all parties.

Yours Very Truly,



Stephen C. Brown, CFO  
Nevada Minerals Inc.  
Minera Nevada SA