

TERMS AND CONDITION OF WATER USE LICENCE PM01-259

PART A DEFINITIONS

"Act" means Yukon Waters Act and any amendments thereto.

"Application" and "Water Use Application" mean Water Use Application PM01-259 , including any additional submissions and/or revisions, submitted to the Board by the Licensee, up to the date of the Board's decision.

"Board" means the Yukon Territory Water Board.

"Deleterious Substance" means deleterious substance as defined in Section 34(1) of the Fisheries Act.

"Freshet" means the sudden increase in flow carried by a stream as snowmelt occurs at higher elevations in the watershed.

"Inspector" means any person designated as an inspector under the Act.

"Minister" means the Minister of Indian Affairs and Northern Development.

"Natural boundary" means the visible high water mark of any lake, river, stream or other body of water where the presence and action of the water is so common and usual and so long continued as to mark upon the soil of the bed of the lake, stream or other body of water a character distinct from that of the banks thereof, both in respect to vegetation and in respect to the nature of the soil itself. In addition, the best estimates of the edge of dormant or old side channels and marsh areas are considered to be natural boundaries.

"Regulations" means the Regulations made under the Act.

"Work Area" means any area disturbed and/or altered by mining activities, excluding any stable diversion channel.

PART B WATER USE AND WASTE DEPOSIT

1. The Licensee is hereby authorized:
 - a) to obtain water from the Klondike River dredge ponds and the Klondike River at a maximum quantity of 4,092 cubic metres per day; and
 - b) to use this water for a placer mining undertaking on the following grant numbers P9508 and P10092; and
 - c) to return a flow of water to the Klondike River dredge ponds and to deposit waste into the Klondike River dredge ponds;

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as described in the Application and subject to the terms and conditions of this licence.

2. If, subsequent to the issuing of this licence, the Licensee uses water and/or deposits waste in one or more ways not authorized in this licence, and the combined effect of those uses
 - a) has no potential for significant adverse environmental effects; and
 - b) does not interfere with existing rights of other water users or waste depositors; and
 - c) satisfies the criteria set out in column II of Schedule VI of the Regulations,

no amendment to this licence will be required for this use of water and/or deposit of waste. Where there is a discrepancy between the application and the terms of this licence, the terms of this licence shall prevail.

3. The Board has relied on the representations, warranties and undertakings provided by the Licensee in the material filed in the Application. Such representations, warranties and undertakings are considered by the Board to be a part of the licence, but shall be subject to, and may be modified by, the terms and conditions of the licence.
4. All work authorized by this licence shall occur on property that the Licensee has the right to enter upon and use for that purpose.
5. Effluent Quality Standard: There shall be no surface discharge to the Klondike River.
6. Except as otherwise provided in this licence, the Licensee shall not deposit or permit the deposit of waste containing:
 - (a) anything toxic to fish;
 - (b) floating solids;
 - (c) visible oil or grease; or
 - (d) a total concentration of mercury in excess of 0.005 milligrams per litre

into a receiving stream, or in any place, under conditions where such waste, or any other waste, that results from the deposit of such waste, if resulting waste contains any of the items prohibited by this paragraph, may enter the receiving stream.

7. Deleterious substances, including, but not limited to, fuels, lubricants, cleansers, solvents, and similar chemicals or substances shall be used, transported, stored and disposed of in such a way that said substances are not deposited in or allowed to be deposited in waters frequented by fish.

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8. Instream reservoirs, settling ponds or stream channel diversions may not be constructed.
9. A settling facility shall be constructed prior to any hydraulic stripping.
10. All hydraulic stripping waste water shall be directed into the settling facility.
11. Forest cover, topsoil and debris shall be disposed of in such a manner so as to prevent entry into any watercourse.
12. The Licensee shall provide fish screens on all water intakes from the Klondike River as follows:
 - a) The screens shall have a minimum of 8 openings per linear inch (3.5 openings per cm) and openings of no greater than 1/8 inch (3.2 mm) along any given side;
 - c) There shall be no less than 1 square feet of open screen for every cubic foot per second of water withdrawn from the water source;
 - d) The screens shall be monitored and maintained to ensure that they function effectively at all times when water is being withdrawn from fish bearing waters.
13. All earthworks, ditches, spillways and any other water related structures built or otherwise effected for the storage or conveyance of water must be able to withstand seasonal floods.
14. All storage and settling facilities and associated spillways, drains and water supply ditches located outside the stream channel shall be of adequate capacity and construction.
15. All works associated with the undertaking, including, but not limited to, all dams, weirs, spillways, stream crossings, ditches, gates, water intakes, culverts and settling facilities shall be maintained in good repair.
16. Settling facilities shall be provided for all mining waste waters.
17. Available overburden shall be stockpiled for use in future site restoration and such stockpiles shall be located where they will not adversely affect water quality in any watercourse.

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PART D LEAVE STRIPS

18. A fifteen horizontal metre leave strip shall be retained from the natural boundary of the Klondike River.
19. Any settling pond, or ancillary dike shall not be located within fifteen horizontal metres of the natural boundary of any watercourse.
20. Except as otherwise noted, forest cover, gravel, vegetation, or any other material shall not be removed or disturbed within at least fifteen horizontal metres of the natural boundary of any watercourse.
21. Except as required to ford the river and operate the water pump, machinery or vehicles shall not work or operate within the leave strip.
22. Clearing of vegetation through the leave strip for the water pump must be done by hand.

PART E FORDING THE KLONDIKE RIVER

The Licensee shall comply with the following conditions when fording the Klondike River:

23. Heavy equipment shall ford the river only once in each direction, during any open water period.
24. Equipment fording the river shall be clean, mechanically sound and free of leaks.
25. All clearing work within the leave strip for heavy equipment access shall be by hand.
26. Fording of the Klondike River must be conducted on the existing access as described in the application and in such a manner that there will be no modification of the bed and banks of the river.
27. Written notification shall be provided to the Board office at least 48 hours prior to fording the river. The Licensee shall clearly indicate that a copy of the notification has been sent or given to Fisheries and Oceans Canada.

PART F SEASONAL CLOSURE

The Licensee shall comply with the following conditions pertaining to seasonal closure:

28. The mine site shall be left in a stable condition at the end of each mining season.
29. An inspector shall be contacted not less than two weeks prior to seasonal closure.

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30. Spring freshets shall not be routed through work areas.
31. All mined or otherwise disturbed ground surfaces, including cut banks, fill slopes and tailings piles, shall be stabilized annually to prevent erosion and surface runoff from carrying sediment into adjacent watercourses.

PART G DECOMMISSIONING

Upon final decommissioning and/or expiry of this licence the Licensee shall:

32. Ensure that the final creek channel approximates its pre-licence condition in length, gradient and stability, except as may otherwise be required in this licence; and
33. Ensure that all dams and dikes across stream channels are removed; and
34. Contact an inspector not less than two weeks prior to final decommissioning.

PART H REPORTS, SAMPLING, & ANALYSIS

35. Where no discharge from the settling facility to a receiving stream occurs, whether by surface discharge or seepage, no sampling is required.
36. On or before the anniversary of the date of issuance of this licence, and for each year during which this licence is in effect, the Licensee shall submit an annual report to the Board.
37. Annual reports shall include the information required by this licence and by the Regulations, including, but not necessarily limited to:
 - a) the quantity of water used under the licence, and
 - b) the quantity, concentration and type of any waste deposited under the licence, and
 - c) all data collected which is required by this licence, and
 - d) any seasonal reclamation that has taken place.

PART I GENERAL CONDITIONS

38. The expiry date of this licence shall be May 1, 2012.
39. Sewage, including all human excreta and wastewater associated with daily camp operations, is disposed of in accordance with the Public Health and Safety Act of the Yukon Territory.

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40. The location of subsurface grey water pits and/or pit privies shall be not less than thirty (30) metres from the high water mark of any watercourse and at least 1.2 metres above bedrock or the water table.
41. If very permeable soils are encountered, the pit privy or grey water pit shall be lined with 0.6 metres of sand or silt.
42. All garbage and refuse shall be kept in a covered container until removed from the site or, where appropriate, incinerated and buried under not less than one (1) metre of compacted soil in pits located not less than thirty (30) metres from the natural boundary of any watercourse.
43. The Licensee shall immediately contact the 24-hour Yukon Spill Report number (867) 667-7244 and implement the Spill Contingency Plan, should a spill or unauthorized discharge occur. A detailed written report on any such event, including but not limited to, dates, quantities, parameters, causes and other relevant details and explanations shall be submitted to the Board no later than ten (10) days after its occurrence.
44. No term of the water use licence limits the application of any Federal, Territorial, First Nation or Municipal legislation.
45. In the event that the Licensee fails to comply with any provision or condition of this licence, the Board may, with the approval of the Minister and subject to the Act, cancel the licence.
46. Where any direction, notice, order or report under this licence is required to be in writing, it shall be given:

a) to the Licensee, if left delivered, faxed, or mailed by registered mail to the following address:

Michael Heisey
Suite #903 - 1302 Waugh Drive
Houston, Texas 77019

Fax #: (713) 533-9908

and shall be deemed to have been given to the Licensee on the day it was left or faxed, or seven (7) days after the day it was mailed, as the case may be; or

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b) to the Board, if delivered, faxed or mailed by registered mail to the following address:

The Yukon Territory Water Board
Suite 106, 419 Range Road
Whitehorse, Yukon Y1A 3V1

Fax #: (867) 668-3628

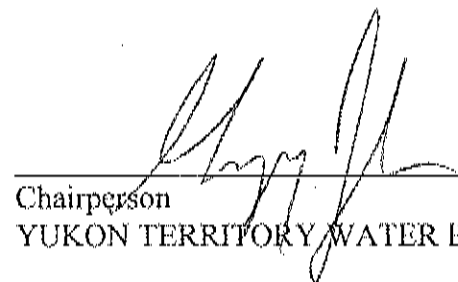
and shall be deemed to have been given to the Board on the day it was left or faxed or seven (7) days after the day it was mailed, as the case may be.

If normal mail service is interrupted by strike, slowdown, force majeure or other cause a notice sent by Registered Mail will not be deemed to be received until actually received and the party sending the notice shall, if possible, deliver such notice in order to ensure prompt receipt thereof.

Dated this 26th day of
June, 2002

O. Muelh
Witness

Approved by:


Chairperson
YUKON TERRITORY WATER BOARD