

YUKON WATER BOARD REASONS FOR DECISION

Water Use Application PM09-665, Canaan Gold Resources Inc. and Mining Land Use Approval AP09665

The Yukon Water Board (“the Board”) has made licensing decisions with respect to water use application PM09-665, for a type B licence and Class 4 mining land use approval AP09665 on an unnamed tributary to the Klaza River for a placer mining undertaking.

Notice of the application was provided in accordance with the requirements of the *Waters Act* and the *Placer Mining Land Use Regulation*. In response, the Board received interventions from the following parties:

- Government of Yukon (“GY”), Energy, Mines and Resources, Client Services and Inspections; and
- GY, Energy, Mines and Resources, Mining Land Use.

No party requested a public hearing. The Applicant did not respond to the interventions.

In making licensing decisions pertaining to this application, the Board also took into account the *Waters Act*, *Waters Regulation*, the application, recommendations from the interveners, the *Yukon Environmental and Socio-economic Assessment Act* (“YESAA”) Decision Document, the Board’s standard licence requirements, Yukon Placer Mining Fish Habitat Suitability Map, Mining Map 115 I/03P, Chapter 14 of the Umbrella Final Agreement (“UFA”) and Board policies.

Environmental Assessment

This application required an environmental assessment under the YESAA.

Prior to making licensing decisions, the Board reviewed the YESAA Decision Document (“Decision Document”) that is included in the water use register. As per section 86 of YESAA, the Board is satisfied that the issuance of licence PM09-665 is not contrary to the terms and conditions included in the Decision Document.

Neither the Applicant nor the YESAA Decision Document proposed any alternative approaches to the operating conditions in the *Placer Mining Land Use Regulation*. These operating conditions have been incorporated into the Placer Land Use Approval for a Class 4 Operating Plan.

GY, Client Services and Inspections

GY confirmed for the Board that the project is located within the White River Watershed and provided the applicable compliance standard under Department of Fisheries and Oceans Canada White River Watershed Authorization (“authorization”), which is 2.5 ml/L. GY also recommended that the point of compliance should be at the point of entry to the stream. The

Board included the standard clause for the effluent and point of compliance to satisfy the authorization.

GY Mining Land Use

The Board determined that the issuance of approval AP09665, which reflects the requirements of Schedule 1 of the *Placer Mining Land Use Regulations*, will satisfy the Mining Lands recommendation for compliance.

Chapter 14 of the UFA

The Board examined the proposed use of water as it relates to Chapter 14 of the Umbrella Final Agreement, as to quantity, quality, or rate of flow of water flowing on, through or adjacent to Settlement Land, including seasonal rate of flow, as follows:

- Little Salmon/ Carmacks Final Agreement and Mining Claim Map 115I/03P
 - The closest parcel of Settlement Land is LSC R-8A. Settlement Land LSC R-8A is located approximately 8km up-gradient of the proposed operations.
 - There is no Settlement Land within 20km downstream of the proposed operation.
- Water Flow estimates and Water Use
 - According to the estimates provided in the application, the requested quantity of water to be used for the mining operations represents approximately 20% of the unnamed creek's total flow during mining season.
- Water Quality
 - The Department of Fisheries and Oceans has issued an Authorization for the White River Watershed. The Authorization includes sediment discharge standards for placer mine effluent.
 - The effluent discharge standards for freshwater production zones have been included in the licence.

Given the above considerations of geography, flow rate estimates, and water quality, the Board concluded that the proposed operation will not substantially alter the quantity, quality, or rate of flow of water flowing on, through, or adjacent to Settlement Land, including seasonal rate of flow.

Conclusion

The Board has relied on the representations, warranties and undertakings provided by the Licensee in the material filed in the application. The Board has approved the issuance of Water Use Licence PM09-665 and AP09665 for a Class 4 Placer Mining Land Use Operating Plan.



Chairperson
Yukon Water Board

August 25, 2010

Date