

**YUKON WATER BOARD
AMENDMENT OF LICENCE**

LICENSEE: Deloitte & Touche Inc.

LICENCE NUMBER: QZ03-059

AMENDMENT NUMBER: one (1)

Application Number: QZ06-075

Pursuant to the *Waters Act*, Water Use Licence QZ03-059 is hereby amended as follows:

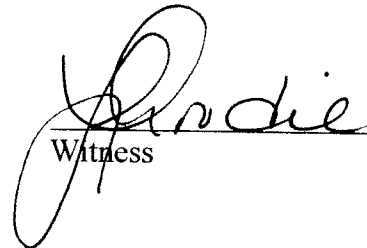
Clause 58 is hereby withdrawn and replaced by:

58. a) A final closure and reclamation plan for the facilities authorized by this licence shall be prepared and submitted to the Board by February 28, 2009. The plan shall be premised on the following:
- i) all decommissioned tailings-related facilities and structures shall be designed to withstand the Maximum Credible Earthquake (MCE) and the Probable Maximum Flood (PMF);
 - ii) the long term physical stability of all watercourses and tailings deposits shall be ensured, with minimal post-operational maintenance; and
 - iii) the long term water quality in Rose Creek downstream of the tailings facilities shall comply with the *Canadian Water Quality Guidelines for the Protection of Aquatic Life*, prepared by the Canadian Council of the Ministers of the Environment, 1999, updated 2001.
- b) Beginning June 30, 2007, and every three months thereafter, the Licensee shall submit to the Board a report regarding the status of key activities related to the development of the final closure and reclamation plan. The report will address those activities that are identified in the document entitled "Targets for Development of Faro Mine Closure and Remediation Plan" which is included in water use register QZ06-075 as part of exhibit 1.2.5.

APPROVED this 19 day of


December, 2006

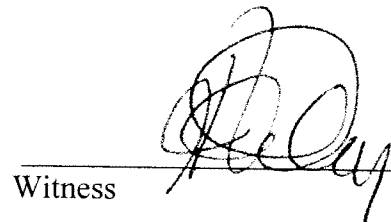

Minister, Executive Council Office


Witness

ISSUED this 20th day of

December, 2006


Chairperson, Yukon Water Board


Witness

REASONS FOR DECISION
WATER USE APPLICATION QZ06-075
AMENDMENT #1 TO WATER USE LICENCE QZ03-059

DELOITTE AND TOUCHE INC.
(in it's capacity as Interim Receiver for Anvil Range Mining Corporation)

The Yukon Water Board has concluded deliberations regarding water use application QZ06-075, which is an application for amendment to water use licence QZ03-059.

Application

Water use licence QZ03-059 is a type A licence for quartz mining undertaking at Faro, issued to Deloitte and Touche, as Receivers for Anvil Range Mining Corporation, in 2004. Clause 58 of the licence requires the Licensee to submit a final closure and reclamation plan by December 31, 2006. In this application, the Licensee asked to change that deadline to February 28, 2009.

In support of the application, the Licensee argued that development of the plan is the responsibility of Government of Yukon and Government of Canada. Those parties proposed the original December 2006 date during the hearing for the initial licence, but now advise that they cannot meet the deadline. In exhibit 1.2, the Licensee identified progress to date, and offered that, if the amendment were approved, they would provide progress reports to the board on a regular basis.

Public Process

Notice of application was provided in accordance with the requirements of the Waters Act. In response, the board received interventions from Environment Canada and from Government of Yukon, Environment.

This was an application for amendment to a type A licence which, if approved, would not result in an alteration to the use, flow or quality of waters. A public hearing was not required. Neither of the interveners asked the board to consider holding a public hearing, and the board determined that a hearing would not be helpful.

Interventions

In their intervention, Government of Yukon supported the application and did not provide any further recommendations.

In their intervention, Environment Canada did not oppose the application, but did express their position that delays to the development of a closure plan will lead to increased environmental risk. Environment Canada asked the board to encourage the Licensee to streamline the process, and to include licence conditions for progress reports on both the development of the plan, and the consultation process that is part of that development.

In response, the Licensee argued, in exhibit 6.1, that requiring monthly reports would add an unnecessary level of cost and administration and could delay the development of the plan because resources would have to be diverted to the preparation of the monthly reports.

In its decision, the board acknowledges Environment Canada's concern that the closure plan for this site must be developed without further delays, and that any potential delays must be brought to everyone's attention as soon as possible. Information in the application suggests that the Licensee was aware for some time that the December 2006 deadline would not be met, yet the Licensee waited until the eleventh hour before applying for an amendment to the licence. This is not acceptable. The Licensee must share information in such a manner that the public can be aware of any potential delays early in the process.

The board does not accept the Licensee's response that monthly reports could divert energy from the preparation of the final plan. In the application, the Licensee offered to provide regular reports. Additionally, given the magnitude of this project, another brief report is not likely to divert any significant resources. However, after examining the table of targets that was provided to the Licensee by Governments, the board has concluded that the nature of the targets is such that monthly reporting would not be helpful, and quarterly would be appropriate.

Quarterly Reports

The amendment requires the Licensee to provide quarterly updates to the "Targets for Development of Faro Mine Closure and Remediation Plan" table that was submitted by the Licensee and included in the water use register as part of exhibit 1.2.5. A copy is also attached to these reasons for decision. This table was initially attached to correspondence from Governments of Canada and Yukon, to the Licensee, in October 2006. The specific date is unclear.

The board expects that the quarterly reports will be brief, likely no more than two pages, and that they will simply list the activities as already identified in the table, update the estimated time required and target dates, and provide a very brief explanation of any slippage.

Expiry of Licence

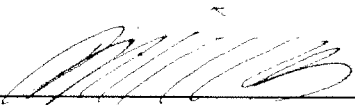
The board notes that the date for submission of the plan will now coincide with the expiry date of the licence. None of the parties raised this as an issue, and the expiry date of the licence was not a matter for decision by the board at this time. Whether there is a licence in place while the closure plan is being reviewed is a matter for the Licensee and enforcement agencies, not the Water Board. That being said, the board cautions the Licensee to consider the requirements of the *Waters Act* for any application to amend the expiry date of the licence, and to allow sufficient time in their planning for the board's public process to be respected.

In exhibit 1.2, the Licensee noted that, at the public hearing that led to licence being issued, the board questioned the efficacy of the proposed timelines. From that, the Licensee concluded "implicit in this discussion was that the Interim Receiver could apply for an extension if required".

While any Licensee may apply to amend their licence, the board has not, either at the hearing into the initial licence, or in their deliberations for this amendment, implied that any application for any amendment will be approved. More specifically, the board is not implying that any further delays to the date for submission of the plan would be acceptable, and it is not suggesting that any application for an extension to the term of the current licence will be approved. Decisions on those, or any other licence matters, will be made by the board at the time that an application is being considered, and after appropriate public review.

Conclusion

The Yukon Water Board has concluded that licence QZ03-059 should be amended, as proposed by the Licensee, and that the Licensee should be required to submit quarterly reports on the development of the closure plan. Amendment # 1 to licence QZ03-059 will be sent to the Minister for approval, and will be issued by the board if that approval is obtained.



Chairperson, Yukon Water Board

December 13, 2006

Targets for Development of Faro Mine Closure and Remediation Plan

Note: Some of the activities listed will be occurring concurrently.

Activity	Estimated Time Required and Target Dates	Details
<p>1. Development of Example Closure Alternatives - Environmental Performance, Costs, Social & Economic Impacts, Residual Risks</p>	<p>January, 2007</p>	<p>Based on numerous scientific studies of the site, four approaches (alternatives) were developed to illustrate possible ways of remediating each of the three key areas of the Faro Mine complex: the Rose Creek tailings, the Faro Mine area and the Vangorda/Grum Mine area. These example alternatives will be outlined in an Example Alternatives Document.</p>
<p>2. Peer Review of Example Closure Alternatives</p>	<p>Started Oct. 2006 4 months required</p>	<p>Independent experts, from industry and academia are reviewing the proposed example closure alternatives. <i>Have the technical studies considered the full range of viable closure alternatives? Have the technical studies characterized the alternatives in sufficient detail to allow selection of a preferred alternative?</i> This Peer Review process comprises visiting the Faro mine site (completed in October 06), reviewing the Example Alternatives Document and associated technical studies, and meeting to discuss/collate comments. A draft and final document will be prepared.</p>
<p>3. Update the Alternatives Document</p>	<p>1 month</p>	<p>The Peer Review will be providing comments on the proposed alternatives. The Alternatives Document may need to be modified depending on the comments received. If there are extensive comments, the document may require further work. At this time the extent of modifications is not known; if the alternatives document needs to be significantly modified then the project time lines will likely be affected.</p>
<p>4. Consultation Phase 1 Part 2 - Information sharing on example closure alternatives</p>	<p>Start Spring 2007 4 months required</p>	<p>This phase of consultation will provide all stakeholders with detailed information on the Example Alternatives: Environmental Performance, Cost, Social & Economic Impacts, and Residual Risks. The information presented will provide the background necessary for stakeholders to participate in the evaluation of example alternatives.</p>

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EXHIBIT 1.2.5

APPENDIX 5

<p>6. Evaluation Phase - Stakeholder evaluation to arrive at a "preferred" plan</p>	<p>4 months</p>	<p>There are many stakeholders interested in the approach to closing the Faro Mine site. These include Yukon Government, the Federal Government, Ross River Dena Council, Selkirk First Nation, the Town of Faro and several interest groups. Input from stakeholders will be requested and considered for the evaluation of the alternatives.</p>
<p>6. Development of Preferred Closure Plan</p>	<p>Fall 07/Winter 2008 6 months</p>	<p>A preferred closure and remediation plan will be prepared from feedback obtained during the evaluation phase.</p>
<p>7. Peer Review of Preferred Closure Plan</p>	<p>2-3 months</p>	<p>As required, the Peer Review will be asked to review the preferred closure and remediation plan.</p>
<p>8. Consultation Phase 2 - Information sharing & feedback on "preferred" closure plan</p>	<p>1-3 months</p>	<p>Stakeholders will be informed of the preferred closure plan and asked to provide feedback on the suggested approach</p>
<p>9. Complete design engineering for Preferred Closure Plan</p>	<p>6-9 months</p>	<p>FMCPD and lead consultants will complete engineering required for submission of the preferred plan into the regulatory process.</p>
<p>10. Consultation Phase 3 - Presentation of Closure Plan moving into pre-regulatory stage.</p>	<p>2 months</p>	<p>Stakeholders will be presented with details of the closure plan that will be submitted into the regulatory process</p>
<p>11. Project Support by Governments of Preferred Plan -</p>	<p>Winter/Spring 2008 6-9 months</p>	<p>Support to submit the Closure Plan will be sought from the appropriate authorities of both levels of government.</p>

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EX41310-1.2.5

APPENDIX 5

<p>12. Submission of Closure Plan for Assessment and Regulatory processes</p>	<p>November 30, 2008 -February, 2009</p>	<p>When the internal government support has been received, the Water Board and YESAA submissions can be made. Work has already begun by the Faro Mine Closure Office on preparation of background information required for these submission packages.</p>
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