

YUKON WATER BOARD

Pursuant to the *Waters Act* and *Waters Regulation*, the Yukon Water Board hereby grants a Type B water licence for a quartz mining undertaking to:

Klondike Star Mineral Corporation
P.O. Box 20116
Whitehorse, YT Y1A 7A2

LICENCE NUMBER: QZ04-067

LICENCE TYPE: B **UNDERTAKING:** QUARTZ MINING

LOCATION: Near Oro Grande Gulch and Eldorado Creek

MAP CO-ORDINATES: Minimum Latitude: 63° 30' N Maximum Latitude: 64° 05' N
Minimum Longitude: 138° 30' W Maximum Longitude: 139° 25' W
Centre Latitude: 63° 53' N Centre Longitude: 139° 15' W

PURPOSE: Exploration for the Lone Star Project

EFFECTIVE DATE: The effective date of this Licence shall be the date on which the signature of the Chairperson of the Yukon Water Board is affixed.

EXPIRY DATE: June 18, 2014

This Licence shall be subject to the restrictions and conditions contained herein and to the restrictions and conditions contained in the *Waters Act* and the *Waters Regulation* made thereunder.

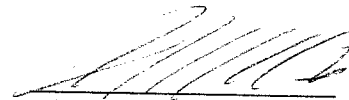
Dated this 22nd day of

July, 2005.

Witness



Approved by:



Chairperson
YUKON WATER BOARD

PART A - DEFINITIONS

“Act” means *Waters Act* and any amendments thereto.

“Application” means Water Use Application QZ04-067, including any additional submissions and/or revisions, submitted to the Yukon Water Board by the Licensee, up to the date of the Yukon Water Board’s decision.

“Board” means the Yukon Water Board.

“Inspector” means any person designated as an Inspector under the Act.

“Natural Boundary” means the visible high water mark of any lake, river, stream or other body of water where the presence and action of water is so common and usual and so long continued as to mark upon the soil of the bed of the lake, river, 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.

“Regulation” means the *Waters Regulation* made under the Act.

“Waste” means any substance as defined in Section 1 of the Act.

“Watercourse” means any stream, lake, pond, river, creek, spring, ravine or swamp whether ordinarily containing water or not.

“Wetted Perimeter” means the horizontal extent of the present water level while the work is taking place.

PART B - GENERAL CONDITIONS

Representations, Warranties and Undertakings

1. The Board has relied on the representations, warranties and undertakings provided by the applicant 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 conditions of the licence.

Other Laws

2. No condition of this licence limits the application of any other federal, territorial, first nation or municipal legislation.

Correspondence

3. 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 delivered, faxed or mailed by registered mail to the following address:

Klondike Star Mineral Corporation
P.O. Box 20116
Whitehorse, YT Y1A 7A2
Fax: 867 667 4179

and shall be deemed to have been given to the Licensee on the day it was delivered or faxed, or 7 days after the day it was mailed, as the case may be.

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

Yukon Water Board
Suite 106, 419 Range Road
Whitehorse, YT Y1A 3V1
Fax: 867 456 3890

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

Non-Compliance

4. In the event that the Licensee fails to comply with any provision or condition of this licence, the Board may, subject to the Act, cancel the licence.

Other Uses

5. 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 and/or deposits of Wastes, as determined by an Inspector:
- a) has no potential for significant adverse environmental effects,
b) does not interfere with existing rights of other water users or Waste depositors, and
c) satisfies the criteria set out in column 2 of Schedule 7 of the Regulation,

no amendment to this licence will be required for that use of water and/or deposit of Waste.

Spills and Unauthorized Discharges

6. 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 an 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 not later than 10 days after the occurrence.
7. All personnel shall be trained in procedures to be followed and the equipment to be used in the containment of a spill.
8. Ten days prior to construction, the Licensee shall submit material safety data sheets to the Board for all petroleum products and/or hazardous materials that are to be present during this undertaking.
9. The spill contingency plan shall be posted on site for the duration of the works.

Annual Reports

10. 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. The report shall include the information required by the Regulation including, but not necessarily limited to:
 - a) the quantity of water used daily during operation,
 - b) the quantity of ore processed daily during operation of the mill,
 - c) all monitoring data required to be collected by this licence,
 - d) any reclamation to the site, and
 - e) a report on all activities carried out during the preceding year as part of any study required by this licence.
11. Unless otherwise specified in this licence, all reports shall be submitted to the Board in an unbound form that is reproducible by standard photocopier and shall be accompanied by 5 copies.
12. All reports shall be submitted in digital form on computer diskette using an IBM compatible format that is readable using commonly available software.

Term of Licence

13. The term of this licence is for the period from the effective date to June 18, 2014.

PART C - OPERATING CONDITIONS

Description of Water Use

14. The Licensee is hereby authorized to:
- a) obtain water from a groundwater well up to a maximum quantity of 5 cubic metres per day for the purpose of camp and mill use, and
 - b) construct and operate a mill at a maximum rate of 10 tonnes of ore per day for the purpose of a quartz mining undertaking, and
 - c) deposit tailings in existing trenches,

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

Description of Waste Deposit

15. The Licensee is hereby authorized to deposit Waste in the form of discharge water contained within the tailings to be disposed in existing trenches, as described in the Application and subject to the conditions of this licence.
16. Where there is a discrepancy between the Application and this licence, the conditions of this licence shall prevail.
17. Notification, including the name and phone number of the field supervisor, shall be provided to the Board, in writing, 10 days prior to the start of construction.

PART D - DESIGN AND CONSTRUCTION

Design

18. Ten days prior to the commencement of construction, the Licensee shall submit to the Board final detailed design construction drawings for test plant. The final detailed design drawings must be consistent with the drawing which was submitted as part of the Application. All construction shall be carried out in accordance with the final design drawings.
19. The Licensee shall submit as-built design drawings of the test plant, sealed by a Professional Engineer licensed to practice in the Yukon, to the Board within 60 days of construction.

Construction

20. All construction or installation of associated works authorized by this licence shall occur on property that the Licensee has the right to enter upon and use for that purpose.
21. All works associated with the undertaking shall be maintained in good repair.

22. Construction and/or maintenance equipment shall be mechanically sound and free of leaks.
23. Fuel, lubricants, hydraulic fluids, coolants and similar substances shall be used, stored and/or transferred a minimum of 30 metres from the Natural Boundary of any Watercourse, in such a way that said substances are not deposited in or allowed to be deposited in waters.
24. No heavy equipment shall be operated within the Wetted Perimeter of any Watercourse.
25. Waste substances shall be used, transported, stored or disposed of in such a manner that they are not deposited in or allowed to be deposited into any Watercourse or on any surrounding land.
26. All disturbed ground surfaces shall be stabilized in such a manner so as to prevent erosion and surface runoff from carrying sediment into any Watercourse.

PART E – MONITORING AND SAMPLING

27. Monthly composite samples shall be collected from the tailings and analyzed for paste pH and for trace elements by mass spectrometer.
28. All data collection and analysis shall be conducted in accordance with the current edition of Standard Methods for the Examination of Water and Waste Water, prepared and published jointly by the American Water Works Association and the Water Pollution Control Federation.

PART F - SITE DECOMMISSIONING AND RESTORATION

29. All disturbed ground surfaces shall be regarded in a manner which is consistent with the topography of the site and which prevents erosion and surface runoff from carrying sediment into any Watercourse. Where soil conditions permit, disturbed areas shall be re-vegetated with appropriate reclamation seeds and/or plants.
 30. All construction materials, equipment, temporary structures and debris shall be removed from the site upon completion of the work.
-