

REASONS FOR DECISION

WATER USE APPLICATION QZ04-067 KLONDIKE STAR MINERAL CORPORATION LONE STAR PROJECT, NEAR ELDORADO CREEK

The Yukon Water Board (the Board) has concluded deliberations pertaining to Water Use Licence Application QZ04-067 for a Type B Licence for a quartz mining undertaking.

Klondike Star Mineral Corporation (KSMC) has indicated in its application to the Board that the purpose of the application is to test batches of gold bearing rock, which includes milling at an average rate of 2 tonnes of rock per day up to a maximum rate of 10 tonnes per day. The project also includes the use of a maximum of 5 cubic metres of water per day which will be obtained from a groundwater well near the project location. Some water will be lost in the pores of the waste rock material that will be deposited in existing trenches in the project area as well as through leaks and evaporation.

Notice of this application was provided in accordance with the requirements of the *Waters Act*. In response, the Board received interventions from the following parties:

Government of Yukon (GY) - Environment, Environmental Affairs Section,
Tr'ondëk Hwëch'in, and
GY - Energy, Mines and Resources, Mining Land Use.

The Board did not receive a request for a public hearing. The applicant responded to the GY – Energy, Mines and Resources, Mining Land Use intervention to provide the Board with proof of right and title to the Klondike property.

Prior to making licensing decisions, the Board undertook an environmental assessment (EA) of this project, pursuant to the *Environmental Assessment Act* (EAA), and referred to a previous EA conducted by GY for this project as well as the Quartz Land Use Class III Approval # LQ00128 (the Approval) which was issued to Klondike Gold Corporation as a result of the EA determination. The Board is satisfied that any known adverse effects that may be caused by the project are insignificant or can be mitigated with known technology or reasonable work practices.

In making licensing decisions pertaining to this application, the Board took into account the application itself, the EAA screening report for water use application QZ04-067, the recommendations of interveners, the Board's standard licence requirements, Territorial Resources Base Map 1150/14, the *Waters Act* and its Regulation, Chapter 14 of the Umbrella Final Agreement (UFA) and Board policies.

The following addresses the comments included in the interventions to the Board:

GY - Environment

The licence includes standard conditions that the Board considers satisfactory for the protection of watercourses during the transport, storage and disposal of fuels along with the implementation and reporting requirements should a hazardous materials spill occur.

GY - Energy, Mines and Resources

Licence condition #20 includes the Board's standard requirement that the works authorized by the licence shall occur on property that the Licensee has the right to enter upon and use for that purpose. Although KSMC has satisfied the Board that it has title and rights to the Klondike Property for the claims identified in the water use application, to ensure compliance with the water use licence, the Board advises KSMC to contact the Dawson Mining Land Use Office to determine whether that office requires KSMC to submit information, or apply for authorization, to conduct the works on the Klondike Property quartz claims.

Tr'ondëk Hwëch'in

The intervention from Tr'ondëk Hwëch'in included recommendations pertaining to the discovery of heritage resources and the need to report such discoveries to Tr'ondëk Hwëch'in Heritage Department. The Board determined that the procedures recommended by Tr'ondëk Hwëch'in will not be included in the water licence. The Approval includes a condition for the protection of archaeological sites and burial grounds, and that all discoveries must be reported to the Chief of Mining Land Use (the Chief) and protected from further disturbance until authorization is given by the Chief. The Chief is responsible for notifying the affected First Nation of such discoveries.

Chapter 14 of the UFA

Territorial Resources Base Map 1150/14 is included in the Tr'ondëk Hwëch'in Final Agreement. The map was reviewed by the Board for site specific settlement land. The map does indicate the presence of settlement land adjacent to Bonanza Creek, which is approximately 7 kilometres downstream of the project area. The settlement land parcel is identified as R-20A. Since the project does not propose to obtain water from a surface watercourse, the quantity and rate of water flowing on, through or adjacent to settlement land, including seasonal rate of flow, will not be substantially altered.

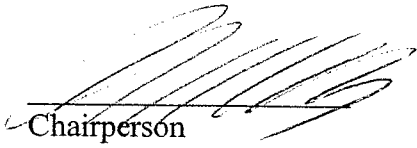
The deposit of waste proposed by the applicant consists of approximately 1 m³/d of water. KSMC indicates that the 1.0 m³/d of water could consist of 0.5 cubic metres of water contained within the tailings that will be deposited to the trenches and 0.5 cubic metres of water will be lost due to spillage or leaks during the milling process. The amount of water estimated to be lost is negligible considering the quantity of ore proposed to be processed each day and no evident opportunity for this water to reach the surface water flows of Eldorado Creek which is a tributary of Bonanza Creek. Therefore, it can be concluded that the quality of water flowing on, through

or adjacent to settlement land will not be substantially altered.

Expiry Date of the Water Licence

The Board concurred with the rationale presented by the Licensing Officer in Part Six of the EA and determined that the expiry date of the water use licence should be June 18, 2014 as proposed by KSMC. This date will also be consistent with the expiry date of the Approval.

The Board's decisions are also explained in Part 7 of the EAA screening report.


Chairperson
Yukon Water Board

July 22, 2005
Date