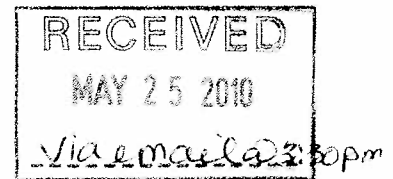




Energy, Mines and Resources

Mineral Resources
Mining Land Use
Box 249
Dawson City, Yukon
Y0B 1G0



May 25, 2010

LP00733

Yukon Territory Water Board
Box 2703 – A-419
Whitehorse, YT
Y1A 3V1

Attention: Neil Salvin, Licencing Officer

RE: PM10-023 Black Hills, Kernine and Mills Creeks, Tributary of Stewart River and Black Hills Creek – Joel White

NAME: Joel White
ADDRESS: 12 Buttercup Place
Whitehorse YT Y1A 7A1

CONCERNS AND RECOMMENDATIONS

Mining Lands has reviewed this application for a Water Licence and Mining Land Use Approval and has the following comments and concerns:

This property has been mined under licence PM99-043, issued to Coulee Resources, since 2000. The operator currently applying for a licence on this property, Mr. Joel White, is the operator of Coulee Resources. At this time Mining Lands is requesting that the Yukon Water Board require that security be obtained from the licensee before work be allowed to begin.

Section 106(1) and (2) of the Placer Mining Act allows for the Chief, Placer Land Use to collect security if there is risk of significant adverse effects to the environment based on the past performance of the operator.

106(1) Where there is a risk of significant adverse environmental effect from a planned Class 2, Class 3 or Class 4 placer land use operation, the person giving the Class 2 Notification, the applicant for approval of an operating plan, the holder of an approved operating plan, or the prospective assignee of an approved operating plan, as the case may

be, may be required by the Chief to furnish and maintain security with the Minister, in an amount specified in, or determined in accordance with, the regulations made under paragraph 116(m) and in a form prescribed by or pursuant to those regulations or a form satisfactory to the Minister.

(2) In assessing, under subsection (1), whether there is a risk of significant adverse environmental effect, the past performance of the person giving the Notification, the applicant, holder or prospective assignee, as the case may be, may be considered.

Inspection reports indicate that the operator for Coulee Resources left the property in a state that was unacceptable. Repeated requests and reports from Mining Inspector, Jim Leary, have not been acted upon; and the operator did not complete the required reclamation and clean up. Inspection reports dating back to the 2000 operating season contain a variety of concerns about the operation. There is no indication in the inspection reports that the operator has addressed the inspector's concerns over the 10 year licencing period.

The proposed operation will involve three operators, the applicant, and two new operators who have been working portions of the claim block under the previous licence. Mining Lands has determined that the new operators have been completing outstanding reclamation on the site and should be commended. Inspection reports indicate that clean up and reclamation left outstanding by the Coulee Resources operator has been completed by the new operators to the satisfaction of Client Service and Inspections, Mining.

The amount of security is determined based on the costs required to complete a partial reclamation program for the one operator. Mineral Resources is estimating the cost of 3rd party completion of reclamation measures required for the activities described in this mining program and have determined that the security amount of *ten thousand dollars (\$10,000.00)* will be required annually based on this estimate.

Mining Lands would suggest to the Water Board that this security file be managed and administered by the Chief, Placer Land Use, Mineral Resources.

Should the Board be agreeable, it is our intention to ask the operator, upon the completion of the 2010 season, to submit a reclamation report to the Chief, Placer Land Use detailing what restoration has been done to date. Based on this report, a decision will be made as to whether or not these same funds can be used for the following year security or if the reclamation is not completed, whether a further ten thousand dollars will be required. Upon submission of a second reclamation report at the closing of the 2011 mining season, the file will be reviewed by the Chief to determine if security is still an issue or whether more security will be required.

These funds will be held in trust until it is determined that all the necessary reclamation has been undertaken and that satisfactory restoration is occurring. A final inspection will be conducted and a request for return of security can be made at that time. A request for partial return of security may be made when all the mitigative measures for each activity in a substantial area is complete.

If, however, additional work is required to leave the site in a stable, satisfactorily reclaimed condition, the operator may be requested to do additional work or the security deposit may be used by the Department to complete the necessary work should the operator fail to comply.

This amount must be deposited with the Chief in the form of a promissory note, certified cheque, bank draft, or government guaranteed bond, payable to the Yukon Government, before the operation begins.

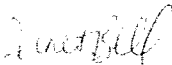
It is important to note that the collection of security does not relieve the operator of the responsibility to undertake and complete a reclamation program for this licence.

Mineral Resources would like to ensure that the applicant is aware that Mineral Resources will not be able to support this licence application without security being posted prior to the commencement of the program.

There are three different operators proposing to work different claim blocks under this licence application. Mining Lands is strongly recommending that the Water Board issue separate licences for each of the operators. Individual licences would provide regulatory clarity. This would verify that each operator will ensure that their own operation is in compliance with all required permits. Separate licences would allow Energy Mines and Resources to take action, if required, should an operator be in non-compliance. Separating the licences will eliminate the requirement that all operators be associated with the collection of security, as only Mr. White has a history of non-compliance.

Should you wish to examine any of the above mentioned inspection reports or require any further information, please do not hesitate to contact me at (867) 993-5343 or by e-mail at janet.bell-macdonald@gov.yk.ca.

Sincerely,



Janet Bell-MacDonald
Mining Lands Officer

cc: Josee Bonhomme
Joel White
Simon Hambrook
Roger and Jim Stuart
CS&I Mining