

TRENCHES

MINERAL, MINING & EXPLORATION NEWS

WHAT A YEAR!

A review of Yukon mineral exploration and development in 2010

It's been a long time since Yukon has been home to three or more producing hard rock mines, but by the end of 2010, that's exactly what is set to happen. For the first time in at least two decades, the Yukon economy will be bolstered by three mines, in addition to a staggering amount of staking and mineral exploration activity all over the territory. 2010 has been an exciting, record breaking year.

The three operating mines are Capstone Mining Corporation's Minto Mine, Alexco Resource Corporation's Bellekeno mine and the Yukon Zinc Corporation's Wolverine mine. Minto is a copper-gold mine which has been in commercial production since late 2007. At the Bellekeno silver-lead-zinc mine, construction of the mine and

mill was completed earlier this fall, followed by commissioning, with the operation expected to reach full production in the coming weeks. The Wolverine mine is taking a graduated approach, with its mill currently producing and processing ore at about 25 per cent of its full production rate. The plan is to slowly escalate to full production by April.

"Another positive factor this year is the amount of continuing exploration taking place at mines," says Mike Burke, Head of the Mineral Services Unit, Yukon Geological Survey. "For example, Capstone Resources has continued to make new discoveries each year, such as Minto East in 2009 and Wildfire this year. The company is doing more feasibility studies, which are extending the life and expanding the capacity of the mine."

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Bellekeno entrance



Mining Statistics

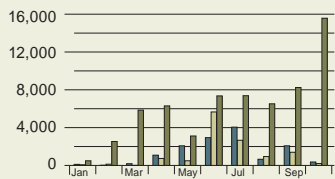
January 1st to October 31st 2010

■ Quartz Claims in Good Standing – 138,979

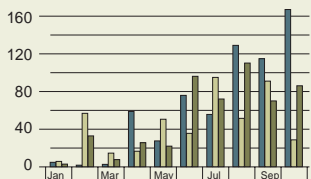
■ Placer Claims in Good Standing – 17,951

■ Prospecting Leases in Good Standing – 119

Quartz Staking



Placer Staking



■ 2008
■ 2009
■ 2010

WHAT A YEAR!

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In addition, several significant gold discoveries have been drawing attention to Yukon from around the globe.

“Although activity has increased across the board in all areas of the territory and in various commodities, gold has definitely dominated the scene,” says Burke. “In particular, two areas have been getting the most attention.”

Dozens of companies have been staking and exploring in the White Gold district south of Dawson City, drawing a lot of media coverage. One example is Kaminak Gold, which made significant discoveries at its Coffee Gold project this year.

As well, ATAC Resources carried out its own ‘silent’ staking rush in establishing the Rau Gold property, northwest of Keno City. “ATAC’s Osiris and Tiger zones have caught the notice of the markets, because of their similarity to large Carlin-style deposits in Nevada,” says Burke. “So the potential, the ‘blue sky’ possibilities, are rather big.”

Another notable development in 2010 was the purchase of Underworld Resources by Kinross Gold. Underworld was a key player in the White Gold area, with its discoveries leading to a staking rush beginning in 2009. “The Kinross purchase of Underworld was a stamp of approval that Yukon is an up and coming area of gold potential,” says Burke. “Kinross is a major mining company that assesses potential projects around the world. It looks at more than just the deposit. It also assesses the jurisdiction, how it’s governed and whether a mine could be successfully operated there. The Kinross purchase is recognition that Yukon is a stable solid jurisdiction in which to invest.”

By last August, the number of quartz claims staked in Yukon was already higher than any year since the early 1990s. “People started staking in the White Gold area, and then with the ATAC discoveries as well, there was a lot of excitement about what was being found,” says Burke. “Staking is still going on like crazy. We fully expect this will be a record-breaking year.”

Investment in exploration activity in Yukon was very strong throughout 2010. Estimates for the year currently sit at approximately \$130 million, but it could go higher. If expenditures reach beyond the \$150 million spent in 2007, that will be a record as well.

In August, a joint venture that will boost exploration spending in Yukon for the next two years was announced. Selwyn Resources closed a joint venture deal with Yunnan Chihong Zinc and Germanium Co. Ltd., which will bring \$100 million in pre-development funds for the Selwyn

project in eastern Yukon. “This is potentially one of the largest lead-zinc deposits in the world and with this investment, we should know within two years whether it’s economic to mine,” said Burke.

There are a number of reasons for all this good news; external forces, such as the strong global market for commodities; internal factors, such as the efficient regulatory regime in Yukon; a government that is supportive and responsive to mining investment; and, huge untapped mineral potential.

“We survived the recent global economic crisis very well in terms of exploration. Part of our success is due to the strong climate for mining investment that we have created in Yukon,” says Burke.

This positive climate includes the devolution of resource management from the federal to the Yukon government, which means that decisions about Yukon natural resources are made in Yukon. “This is starting to have a positive effect,” says Burke. “There is recognition that there are good decisions being made in terms of governance of our lands, waters and resources.”

Since 2005, this territorial decision-making has also extended to environmental assessment, when the Yukon Environmental and Socio-economic Assessment Board (YESAB) brought a single assessment process to all projects in Yukon. This is also regarded as a benefit for mining companies working in Yukon.

At the Mineral Exploration Roundup in Vancouver in early 2010, there was significant buzz about



mineral exploration and discoveries in Yukon. Burke expects the territory to generate even more excitement at the next Roundup.

“People are looking at Yukon with new eyes. The recent discoveries are generating interest in exploring other areas of Yukon for similar discoveries.” ■

Page 2:
Kaminak Rau Camp

Page 3:
Taras Nahnybida Project
Geologist Minto

WHAT'S HAPPENING...

YUKON CHAMBER OF MINES LAUNCHES NEW WEBSITE AND BEST PRACTICES GUIDE

On October 28, 2010, the Yukon Chamber of Mines launched its Yukon Mineral and Coal Exploration Best Management Practices and Regulatory Guide to equip its members with a range of planning tools and practices that pertain specifically to the regulatory and environmental conditions of the Yukon mining industry.

The guide provides information regarding the regulatory framework and permits, approvals, licenses or authorizations under which mineral or coal exploration activities are managed and regulated in the Yukon on most classes of land.

It also provides a practical approach to implementing best management practices (BMP) when planning and conducting exploration - from grass roots through to advanced stage projects.

The guide does not attempt to outline the details of application for every permit or license required in the territory as a number of documents prepared by the Yukon government exist and provide such guidance.

The guide does provide a comprehensive overview of the regulatory and assessment processes in the territory and directs the user to the relevant approvals for a given activity on a given class of land.

If incorporated into an exploration program, using BMP will help to ensure that activities are planned and carried out in compliance with the various legislation, regulations and policies that apply to a specific activity.

The guide can be found on the Yukon Chamber of Mines newly launched website: www.yukonminers.ca. ■

KEEPING UP:

OVER THE COUNTER FROM THE STAKING RUSH.

The map stretched across the length of the floor, about 10 feet in all. Held together by tape and covered with systematic boxes and lines, it was just another thousand or so claims that an exploration company submitted for the government's mappers.

"This submission was big, but it was good quality," said Liudmila LeBarge, Spatial Database Administrator for Yukon government's Mineral Resources branch. "Some of the [map] sketches we get are professionally done with GPS coordinates and mapping software, and others are rough hand sketches on old photocopies of photocopies of maps. Either way, we have to work with what we get and make sure everything is entered as quickly and accurately as possible because everybody wants to know what's going on."

The mapping staff do not have the time to fuss over the information submitted to them. During the current staking rush, it's all about keeping up.

Demand and Supply

The high price of gold, a number of exciting discoveries and the notion that the Yukon as a whole is under-explored for minerals has drawn record amounts of exploration activity to the territory. From January to the end of October 2010, 63,924 claims have been staked in the Yukon. Each one of these claims must be individually staked on the ground (using two wooden posts), marked with



a metal tag and then registered with the nearest branch of Yukon's four Mining Recorder offices.

The Whitehorse Mining recorder's office is efficiently busy. Glenna Southwick, the Whitehorse Mining Recorder, recounts a recent Friday afternoon: "We had 14 people crowded in our office and our staff notarized 2500 pages of material. As soon as they leave, more come in."

Did you know....

- The current world price of gold is set daily by the London Bullion Market
- The LBM trades gold bullion and coins with other financial world centers such as Zurich, Hong Kong, Frankfurt and Paris.
- The price is based on pure or "fine" gold.
- Closing gold price for September 29, 2000 was \$273.65USD. Ten years later gold closed at \$1307.50USD (2010 figure not adjusted for inflation)
- Gold nuggets are as distinct as snowflakes, although they may look similar, no two nuggets are exactly alike.
- At today's price, a million dollars of gold is a cube only 10 centimeters on each side, or just over 4 inches on a side.
- All the gold produced in the world last year would be represented by a cube 5 meters on each side, easily fitting in a living room.
- All the gold ever produced in world history would fill a volume represented by a cube 18 meters on each side, fitting on most front lawns (although it wouldn't be too good for the grass. But then – would you be worried about your lawn in this case?)

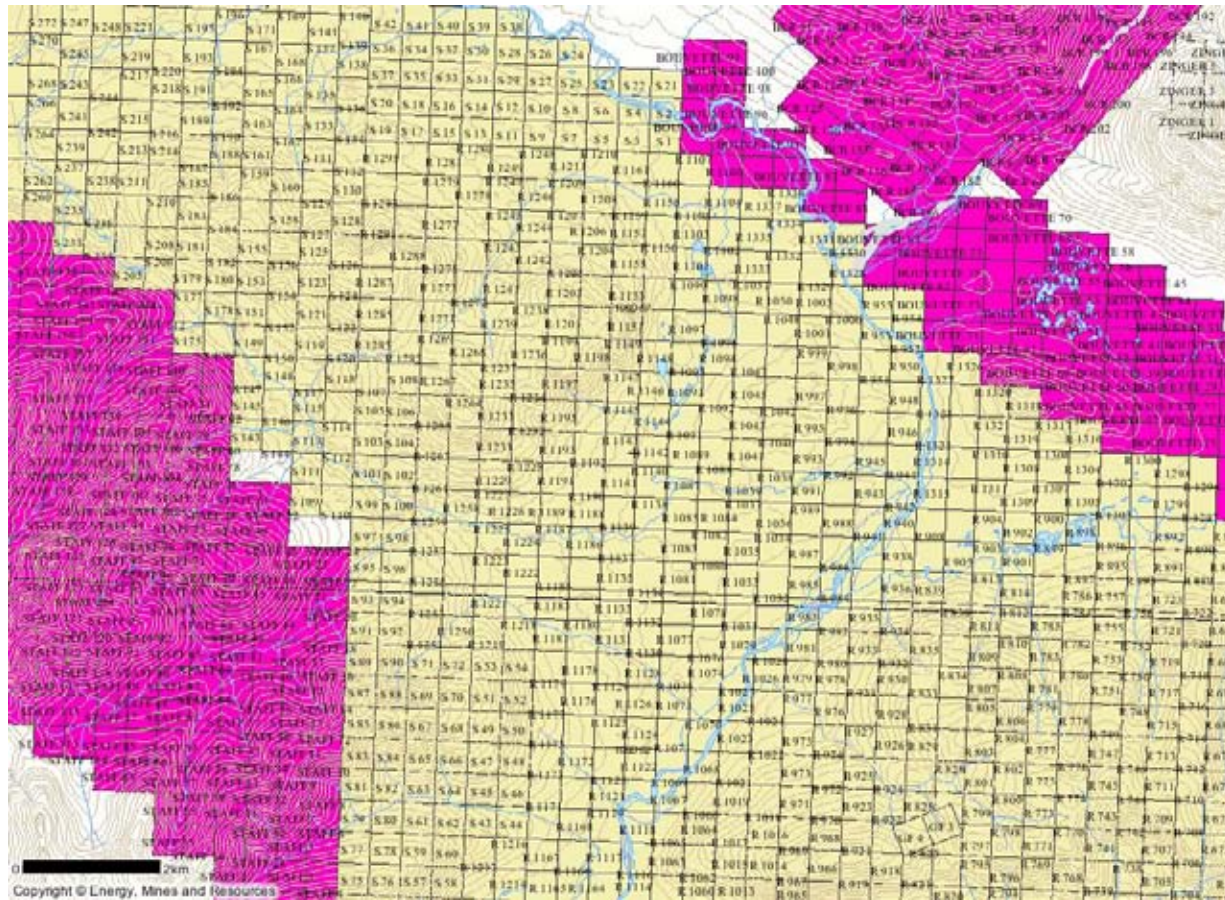
www.prospectorsparadise.com/html/gold_facts.html

www.lbma.org.uk/pages/index.cfm?page_id=15&title=market_history

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OVER THE COUNTER FROM THE STAKING RUSH.

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Claims map

FROM THE
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Photo credits:
Government of Yukon

Each claim must be reviewed, notarized, have tags bought and mapped into the database, which is then uploaded to the web. Web visits to the online mapping system come from all over Canada and beyond. Often, companies and investors will check the online maps every day.

“We have to keep the website updated as frequently as possible,” said LeBarge, who, in addition to entering claims data, also uploads the information to the internet. In such a competitive environment, knowing who has staked what ground can greatly influence investment and business decisions.

Keeping Stocked

Because mining claims are legal documents, everything must be reviewed and notarized by the mining recorder staff. Each claim must also apply metal identification tags, which are purchased at the Mining Recorder.

“In September we sold \$30,000 worth of claim tags at \$2 each. People come in and buy them by the thousands,” said Southwick.

Dawson Mining Recorder Kathryn Perry is literally buried in claim tags. “Our filing room is

full of boxes of claim tags – every bit of empty space in our office is taken up by them.”

Keeping up

The rush does not show signs of slowing down. With such a heightened interest in Yukon gold, the territory’s mining recorders see and deal with it all.

“With the price of gold so high, there is a lot more competition,” said Perry. “There’s reports of companies competing for ground in the field and there’s greater requests for verification inspections from our staff. We’re also hearing about increased wildlife encounters by people staking claims – there’s just so many people out there working.”

“The last time it was close to being this busy was in the early 1980s, and that was when gold was \$800 an ounce,” recalled Perry.

“From what I hear amongst our clients, there’s no sign of this letting up soon.” ■