

Preliminary Report on Recommending Map Staking in Yukon

Summary

Yukon is one of the last jurisdictions in Canada to have a physical system for the staking of Quartz Mining claims. This fact gives Yukon the benefit of hindsight and the experience of other jurisdictions as they changed from a physical system of staking claims to a map or internet based system. The change to map based staking has not always been a smooth transition and the recent experience in British Columbia is the most relevant to what may be expected in Yukon. Many explorationists who are active in Yukon are also active in British Columbia so a large resource of individuals and companies exist who can give first hand advice and knowledge that should address most of the negative consequences of a map or internet based staking system. That being said there are always unintended consequences of change but the risk is viewed as negligible compared to the reward.

Map staking could have the added benefit of potentially resolving the issue of entry on to the land as a part of acquiring mineral rights with respect to recent court decisions. Map staking combined with changes to what rights with respect to the type of work one can do on claims when those rights are granted could resolve some of the major issues First Nations have with claim staking.

It should be noted that the Prospectors Association has not given their support to the change to map staking. The concerns they raise are valid and careful consideration must be made to address their concerns. The Prospectors are in no hurry to support map staking but are planning on forming a working group to explore the concept more closely. With the end of field season the Prospectors should have more time to revisit the issue.

It is recommended that the Yukon Chamber of Mines support a recommendation to a change to a map or internet based system of staking Quartz Mining claims in Yukon. A working group drawing on local representatives from the Prospectors Association, Chamber of Mines and other interested individuals and companies active in Yukon should be formed. Representatives with experience and familiarity with the system in British Columbia should be sought out. Companies and individuals active in Yukon are typically active in British Columbia therefore to have a system that is similar to that in British Columbia makes sense. Major issues that exist within the BC system could be identified and rectified by drawing on those resources.

Introduction

This paper is a compilation of some of the comments on the pros and cons of the switch to a map based or internet based staking system. Comments and ideas have not been modified and are included to give an idea to the Chamber Board of the range of ideas submitted to the Special Committee. What this demonstrates is we will need to form a diverse working group to address the many concerns about map or internet staking. The system must be conceptualized and overseen by prospectors, individuals, and companies. The system needs to be made by miners, for miners. That message is loud and clear in any discussions. Do not let the bureaucrats decide on the system. There are other areas of our tenure system that should be looked at as well potentially in tandem with a map based staking system. Grouping, payment in lieu, etc. The comments have mainly been positive however there are definitely issues with the map based systems in other jurisdictions. Again with the benefit of hindsight these can be identified and reasonable solutions can be found to most of the issues.

Pros

From a Canada Land Surveyor

- Obvious simplification of staking
- Elimination of the fractions – this is a big problem eliminated – we are having huge problems with this for 2 of our clients as we speak
- Elimination of Mining Recorders silliness and inconsistencies in interpretation of the rules of staking
- Simplification of ensuring no overlap onto protected areas
- Reduction of costs – obviously this is huge
- Certainty of coverage!
- Advantages of mapping and GPS technology to field methods

Cons

- We as surveyors lose business, but we understand how this could help clean up the process of obtaining mineral rights

- Complications with conversion of the existing claims – ie. how to deal with legacy claims – we as surveyors have history as to how to deal with that, ie. we just did this in BC – I have contacts in BC who designed this process
- Technology demands of mining and exploration companies to properly merge field data with claim coordinate systems; but this is also a positive

Problems with staking include; walking on the land, cutting and or placing posts, blazing lines, all of which can be considered trespass if surface rights are held by others than the crown. Another issue is the cost of physically staking and the sometimes the safety risk of working in hazardous conditions.

From a Lawyer

About the map staking, about time. Time to go modern. This will resolve one of the issues raised in court with respect to the Ross River Dena case – that staking is, incredibly, seen to be an intrusion on and disruptive to the land. Map staking effectively end runs that argument, as it has no impact on the land. However, you have to provide limitations in size and areas. Free entry is based on “use it or lose it”, and if you want to keep that concept alive, you have to really go after people that aren’t doing anything after staking. And change the grouping rules with map staking – to the use it or lose it principal, allowing work on one claim to be applied to 500 more is foolish; it does a gross disservice to other prospectors and miners, and ties up ground, which limits new discoveries. Finally, for the same reasons, perhaps consider more elaborate mechanisms to limit the number of claims that can be map staked in a certain area in a given time (which is the primary benefit of post staking). This could also satisfy some of the prospectors who didn’t like the idea last time.

And don’t let the academics or corporate interests mess this up; the Quartz Mining Act was developed for miners, by miners. Map staking should be the same.

Preliminary Map Staking Discussion Paper

By Bernie Kreft, Prospector

The Yukon is prime territory for mineral exploration due to its relatively under-explored nature coupled with geology favorable for sizeable mineral deposits. Unfortunately much of this potential remains unrealized and/or untapped due to limited infrastructure and access coupled with a short exploration season, the combination of which leads to significantly above average exploration and development costs. Couple these negatives with an oppressive regulatory regime and seemingly constant attacks by environmental interests and often being at loggerheads with First Nations, and exploration dollars, which are the lifeblood of the industry, are heading to other jurisdictions. Although many of the changes

required to make the Yukon a favored destination for mineral exploration dollars are sizeable, simple tweaks to the system can improve the investment climate and help send the message that the Yukon is open for business.

Some of the biggest differences between the Yukon and neighbouring jurisdictions can be found in the claim acquisition ("staking") and regulatory regimes. Although both areas are of importance to the mineral industry, the focus of this discussion paper will be on claim staking and management issues as it is felt that the greatest reward-effort ratio will be found there. Permitting concerns are of greater significance than staking but would require significant and likely time-consuming consultation involving all affected parties.

All Canadian provinces with a significant mineral industry have been surveyed with the majority using a form of map staking or a fully automated online staking system. The following are notes on staking systems used by varying jurisdictions and some comments pertaining to those systems:

Saskatchewan – converted to an online staking system in December of 2012, although initially lauded by industry the system has proven to be problematic due to crashing and bugs

"The mining industry in this province is diverse, from border to border we have resources that play a key role in our growing economy," Energy and Resources Minister Tim McMillan said. "This new system keeps Saskatchewan competitive and it plays a significant role in ensuring the long term, sustainable growth of this sector."

"The MARS online system allows industry to save millions of dollars in staking costs and invest the funds in further exploration," McMillan said.

British Columbia – converted to an online staking system almost 9 years ago

Although numerous issues were thought to exist during the lead up to map staking, the only major concern currently noted with online staking was that the ease and affordability of BC method turned the system into a home for speculators who had no intention of exploring the ground and were fast becoming a significant impediment to exploration.

"When some guy can sit in his living room and stake B.C. claims for 40 cents a hectare, online staking is too easy," said Randy Hawes, the province's Minister of State for Mining.

"A producing mine provides long-term high-paying jobs and provides significant spinoff benefits in the communities near the mine location," said Jake Jacobs, spokesman for the Ministry of Energy, Mines and Petroleum Resources. "Where land is held by a mineral claim that is not being adequately explored, the province loses the potential of finding a mine. The land is sterilized from legitimate exploration."

Jonathan Buchanan, a spokesman for the Association for Mineral Exploration B.C., says the online system has done a lot of good for legitimate miners. Not only has the system reduced the expense and work of acquiring mineral tenures, he says, but the ability to register a claim in real time has minimized disputes between rival companies competing for mineral prospects.

Alberta – uses a permit (map staking) system where a person fills out a form and mails it to the appropriate office with a fee, with permit approval granted to the highest bidder after a period of due diligence by the government.

Manitoba – uses 2 systems: map staking in surveyed portions of the province (much of the south half of the province) and perimeter or 4-post (ground) staking in un-surveyed portions of the property (much of the north half of the province).

“I have long since lost count of the number of claims I have looked for and never found a single axe mark on a tree, although the claims were on the claim map. Others were only partly staked (always the part near the road or the lake shore), and were therefore invalid, had anyone chosen to dispute them. If there are no posts, there is no benefit whatsoever to physical staking”.

Nova Scotia – uses a map staking system

Quebec – has used an online staking system since 2000. A 2004 submission to a PDAC committee noted that the greatest benefit of the transition to map staking was felt by explorers, including prospectors, while the professional stakers were “losing”.

Newfoundland and Labrador – uses an online staking system

New Brunswick – uses an online process and can be completed by selecting claim units from an interactive map or by inputting claim units numbers in the application. For acquisition, the minimum size of a claim is 1 unit and the maximum number of units cannot exceed 256 contiguous available units. The fees for acquisition are comprised of a fee for the claim as well as a work deposit fee.

Ontario – is currently under-going the transition from ground staking to map-staking as part of a greater overhaul to their system which will:

- 1) Clarify requirements for aboriginal consultation
- 2) Respect private landowners
- 3) Minimize the impact of exploration and development
- 4) Make the system more efficient and effective for industry

NWT and Nunavut – use a combination of ground staking and map staking (prospecting permit) systems.

A summary of the realized positive impacts of introducing a map or internet based staking system include:

- 1) Elimination of staking disputes revolving around improperly staked ground or fraudulently staked ground, with these types of disputes sterilizing ground for years in certain cases while inspections are conducted and court cases are settled; at significant cost to government and industry.
- 2) Elimination of the lag time between when a claim is staked and when it is recorded. This lag time was often responsible for complications, and resultant disputes, involving two or more groups acquiring the same piece of property.
- 3) Remaining competitive with neighbouring jurisdictions
- 4) Ensuring that exploration dollars are spent exploring for mineral wealth and not wasted on the act of staking ground.
- 5) Reducing the number of upfront conflicts with other land users such as outfitters, tourism based businesses and surface rights owners.
- 6) Helping reduce mineral explorations impact on the environment is a theme that most groups outside of the industry including First Nations and environmentalists will appreciate.
- 7) Certainty on the physical location of a property.
- 8) Staking in remote areas is so costly that some individuals are priced out of the game, map staking levels the playing field in these cases and helps encourage exploration in remote areas through the reduction of up front acquisition costs.

A summary of the realized negative impacts of introducing a map or internet based staking system include:

- 1) In British Columbia low acquisition and pay in lieu fees coupled with the ease of the system saw the province swarmed by nuisance stakers or speculators having no interest in developing ground. There were significant adverse impacts on legitimate explorers which by default translated to reduced benefits to the province. As a solution BC raised acquisition costs significantly, raised pay in lieu costs, while eliminating the cost to file work on claims. To ensure claim turnover the amount of exploration expenditures necessary to renew a claim for a year was changed to a graduated system which sees amounts escalate every claim renewal year and reaching a plateau when a claim has been renewed for more than 5 years. Initial returns suggest the changes have been very positive.
- 2) Every jurisdiction implementing map or electronic staking saw professional stakers negatively impacted through loss of jobs.

- 3) In the case of paper staking systems, confusion and timing issues occur when there is competition for the same piece of ground at the same time. IE who gets the ground in the case of multiple applications for the same area.
- 4) Some jurisdictions have seen large swaths of ground being rapidly acquired and then held using work conducted on only a small part of the property.
- 5) There have been difficulties merging ground based and map or internet based staking systems.
- 6) Internet based staking systems have seen some issues which would suggest some form of hack or application is applied that sees an unfair advantage gained.

Although changes in BC have not pushed the little guy out of the game, and have perhaps even enhanced his ability to compete, ensuring that the poorest prospector retains the ability to remain competitive at a level similar to what exists with ground staking is a key point to ensure the broad acceptability of some form of map staking. Being the only jurisdiction in Canada without some form of map or internet based staking puts us at a competitive disadvantage but in the enviable situation of being able to study the history of other attempts and hopefully use those experiences to create a better system. In jurisdictions that have completed the transition from ground based staking systems to internet or map based systems there have been no calls to change the system back to ground staking. The combination of being able to study the history of past attempts, coupled with the popularity of this type of change, seems to suggest few if any risks to the process.

Initial System Changes

To ensure the least disruption and quickest transition a map or paper based staking system is proposed. This will ensure a rapid transition requiring no significant electronic database or program construction (although that could be added in the future), will have minimal impact on the existing rules and regulations as well as on current government staff. Ironically there are already individuals out there practicing map or paper staking through the fraudulent misrepresentation of their staking jobs.

- Claim acquisition would require a staker(s) to enter one of the mining recorders offices and supply a claim map with his claims properly and accurately outlined on the map, pay the associated fees and the claims are then plotted on an electronic map with real time updates available in all district offices. Claims are granted on a first come first serve basis with the cash register time stamp being the deciding factor on time of completion.
- Caps on the amount of claims an individual can stake in a day should be enacted, this will ensure the current situation where a single individual can only stake a certain amount of ground in one day remains intact. The proposal is for up to 12 claims per person per day which is likely the maximum amount a person could currently legally ground stake if one properly follows the current rules and regulations. Should a person want to stake a group larger than 12 claims in

one day they will have to come into an office on subsequent days or hire “stakers” to assist in the “staking”.

- Fees will need to be high enough to eliminate nuisance stakers or speculators but will need to be low enough to ensure the little guy remains competitive. The proposal is for a \$80 recording fee consisting of \$30 application fee and a \$50 extra: preferred options for what to do with the extra money received generally revolve around seeing more exploration completed:
 - a) Returning \$50 to the staker upon receipt of an approved assessment report
 - b) Taking the excess \$50 and putting it into YMIP thereby having the budget grow and allow more money per applicant
 - c) Giving the staker an extra ½ or full year assessment upon receipt of an approved assessment report (depending on the approved dollar value of the report)
- Current holders of ground staked claims will be allowed to supply a GPS survey sketch of their claim block (subject to inspection) if they feel that current claim maps have misplotted their claims, or have their claims remain as is where is on the map

Added Thoughts

- Although lost staking jobs likely amount to a small portion of the industry with minimal impact, especially during the summer when people are busy anyway, there may be a slight tangible impact in the winter. Perhaps some consideration could be given to adding a premium to assessment work completed during the Nov 14th to Jan 28th period.
- The current rush saw many companies apply a large amount of assessment work to their various holdings, the subsequent implosion of the junior mining market will see many of these same companies vanish, leaving large swaths of ground in good standing but not being actively explored or promoted. Some consideration should be given to this issue; graduated assessment amounts? Caps on total years forward allowed? Proposal is to increase the amount of work needed to renew a claim and have that amount possibly escalate depending on the claims age.
- The current system of allowing a 2 week and subsequent 6 month grace period for filing assessment work will need to be eliminated so that when a claim lapses it lapses. Having this rule in place has always caused confusion and its elimination will eliminate that confusion while enhancing the workability of the new staking system.
- Perhaps look into allowing simple claim management tasks to be completed online and by the client, eliminate sending out claim grants as they are almost 3 years behind in some cases and they send out shit for claims that no longer exist, stuff like that.

- Limit the amount of times a person can pay in lieu or perhaps increase the cost of paying in lieu, either way with the new system the pay in lieu costs/difficulty will need to go way up. Paying in lieu is a necessary function in situations where a claim cannot be worked for whatever legitimate reason, unfortunately it also means that ground is not getting developed. The proposal is to have the pay in lieu fees be double whatever the costs is to use work for renewal.
- Legal advice is of the opinion that: “map staking is better than ground staking to address First Nation's issues because it allows for no intrusion until consultation, if required, can take place”
- In BC a common nuisance staking ploy was the acquisition of a single claim over the heart of a mineralized occurrence and then to continuously pay in lieu. The recent BC system changes have increased the fees to stake a claim from \$7.50 to from \$31-\$36, and have increased the pay in lieu costs into the range of \$185 to over \$300 per claim. Although these were strong steps in the right direction, there is still some nuisance staking taking place. My feeling is that this proposed systems combination of the requirement to physically be in a mining recorder office coupled with the \$80 fee should cut most nuisance staking out. Increasing the pay in lieu fees (as noted in a previous bullet) would be wise. Some consideration should be given to having a minimum fee for staking ie \$330 for the first claim and then \$80 for each claim thereafter. Nuisance staking can never really be eliminated but these steps should make for a strong system that supports true explorers.

From the Newfoundland Prospector Association

Dear Mike ;

Hello and thanks for your e-mail and by all means , touch base at any time and also contact Jim Hinchey for his input and perspectives.

Your concerns are all quite valid and here in the province, if a prospector has taken training ,or has a batch of prospecting or field experience, then he or she can apply to the Department of Natural Resources to seek designation as a Genuine Prospector. Having this designation, allows an individual prospector to stake up to 30 mineral claims in any calendar year, by just paying the application fee of \$10 per claim without posting the \$50 security required per claim. So this is a nice benefit or incentive for individuals who are active.

The \$50 security per claim is reimbursed after your first year's assessment work report has been submitted and accepted by the Mines Branch. So, having to post these security

deposits is one measure to try to counter balance those large exploration and mining companies from staking huge swaths of ground , thus blocking the individual prospector from participating in a fair and meaningful way, especially during a staking rush.

This measure along with a number of other requirements under the Mineral Act, such as size of claim blocks, graduated claim assessment fee costs ,etc also play an important role. But just like in the ground staking days , many times , those with deep pockets and financial and human resources had the advantage, so the prospector either on their own or with their partners, always had to be very smart, strategic and up early to be ahead of the pack.

Hope all of this helps , but the On Line Claim Staking System has worked very well and is well supported by the vast majority of prospectors and others in the Industry. Part of the Industry , has always been active

and that is Speculators and Promoters and really knowing all aspects of the computer and little short cuts

in staking On Line are critical to Success in this highly Competitive Field.

Just like having a very seasoned woods axe with a very sharp blade in days gone by, so too do you need to sharpen your Computer Skill Sets at home and Be Well Prepared! And in winter , a great set of snow shoes!

Take Care and All the Best! Access to High Speed Internet is Critical! This is the modern paved highway, or woods

road, or Bush Plane and Helicopter!

All the Best.

Yours in Prospecting.

Norm

President

NLPA.

ON PHYSICAL STAKING

Mike Power

With comments by Mike Burke & Bernie Kreft

The Yukon Chamber of Mines has launched an initiative to examine whether the Yukon should move to a “paper staking” system and to that end has struck a committee to examine the issue. Paper staking has been implemented in BC and Quebec and allows someone to obtain mineral rights (claims) by applying online or by fax. We have been invited by the Chamber to participate and provide input. I have given the matter a lot of thought and discussed it with some of our members and would like to share my conclusions and solicit your input in formulating a response.

For this discussion we would like to separate “Paper staking” and “Online staking” as two distinct alternatives to physical staking. Paper staking is the act of going into the Mining Recorders office and filing a claim with the need to hit the field eliminated. Online staking is the method currently employed in BC, Sask, Que, NFL, etc, where a person anywhere can obtain claims by a system over the internet.

In the Yukon as you all know we have a physical staking system. You place posts in the ground with the correct inscriptions or scribed tags, clear or mark lines to establish your claim. You must then register your claim within a specified period of time with the mining recorder and pay a nominal fee to have the claim recorded. To obtain mineral rights the staker must enter vacant Crown Land and must place the posts. The mining recorder cannot refuse the application to record and ultimately grant the claim.

Under paper staking, you apply to the mining recorder get a claim. You specify a piece of land you would like to claim and submit a fee. Once the application is processed and the fee payment made, you have your claim. There is no duty for you to enter onto the land or do anything.

A paper staking system would require you to physically go in to the Mining Recorder office and mark out on a map or on the Mining Recorder system the location of the ground you wish to acquire.

It is useful to understand where our existing system came from. Placing posts to stake mineral claims dates from the time of the Romans¹. The practice of allowing free miners to enter vacant land, prospect for minerals and claim them is a medieval institution in most of Europe and much older in England where it may have predated the Roman conquest. Miners were free to look for minerals and, if they found something, to claim it on the spot by either marking it out (England) or hauling up the local Bergmeister (in Germany) and swearing out a claim on the spot; the Bergmeister then staked it out for the prospector.

Why this system? In ancient times, it was recognized that mining & prospecting required special skills and that finding and exploiting ore deposits couldn't be done by everyone. Various fiefdoms competed with each other to attract miners. They had to make it easy for the skilled miner who took the trouble to look for minerals to be sure of claiming them when he found it. They weren't interested in riff-raff claiming mineral rights and never had a system where you walked into the castle, put your money down and were granted a piece of the map if it was open. Further, if you didn't mine your claim - pretty much continuously - you lost it and someone else could claim the ground. The system was designed to ensure

the miner could assuredly claim and mine the minerals he found - to the ultimate benefit of the local duke, count or king who got a piece of the action in the form of a royalty. The whole regime was based on the right of the miner to enter vacant grounds and the duty he had to stake, record and work his claims.

I think we all agree on the reasons why and can also agree on a universal dislike for speculators and frauds.

Proponents of paper or map staking have pointed out that physical staking is expensive, dangerous, time consuming and cumbersome. In the legislature recently, the Leader of the Opposition suggested it was medieval (for once she was right!). I must admit that the idea of being able to stake claims by pressing a button as opposed to spending days cutting posts and blazing lines appeals to my natural laziness. Nonetheless I have to ask: What do we lose if we remove the duty to physically stake a claim? As in medieval times, the public interest is served if there is vigorous competition for mineral rights by those qualified to find and mine minerals. Anything less cheats all of us (the public) of a return on our natural resources. With this in mind, I think the following arguments can be made in defence of physical staking:

Bernie Kreft comment-Not at all interested in a BC type online system (which is certainly currently hamstringing the industry via viruses/speculators) unless of course there are sufficient checks and balances installed to preclude the current nonsense that is happening in BC.

- ***The duty to enter Crown Land to stake is stronger than a mere right to enter Crown Land to prospect.*** We are in the middle of an epic fight to preserve our access to land for mineral exploration. It might not be too much to expect that you may have to get a permit at some time just to enter Crown Land – as you do in National Parks. If a jurisdiction has physical staking, you cannot frustrate the individual's right to enter and prospect without completely shutting down your mineral tenure system. With paper staking, government can continue to collect fees from prospectors while frustrating their access rights.

As Jim would say there is already a well established regulatory taking being perpetrated by the bureaucrats. These days you may have the duty to enter the land to stake but with Mining Land Use and other potential restrictions like land use planning you may own the mineral rights by staking but if you can't find anything because you are hampered by the conditions imposed to make a discovery well what good is that mineral right. Unless you are re-staking something that has been previously documented.

- ***Physical staking grants a right which cannot be refused while paper staking is a tender for contract which may be refused or frustrated.***

Anyone who has staked ground they really wanted knows that great feeling when the job is done and you have the ground. Duly staked, the claims can't be refused by the mining recorder. Consider paper staking where your staking request is just that. If the computer is down, you don't get your claims and you have no recourse. The government can shut down staking by pulling a plug and restrict it by switching the system on and off. You offer them money; only if they take it do you have any right to the minerals. Under physical staking, they can't refuse to record or grant you the claim provided you followed the law. Paper staking frustrates the certainty in mineral tenure that serves the public interest.

These concerns currently exist under the current system. The gov can refuse claims, there may be a dispute and claims get thrown out, there may be fraud; in short ground staking is also a frustrating uncertainty at times. And the idea that the gov would "turn off the switch" just hasn't been borne out by

the test of time in BC and other places that use this system. Bernie - Ps I get the same rush when I get a proper property put together online.

You also don't know if someone else has staked the ground before you as they have 30 days to record, or if it was previously staked ground maybe they file under penalty. There is still much uncertainty with physical staking. And in truth all claims are improperly staked (pile rocks 18 inches high) so you really don't get the great feeling until the many scenarios that can result in your claims being refused have not happened and you get confirmation of your claims.

• **Competition for ground under physical staking is on the ground, over the resource; competition with paper staking is entirely technological.** With paper staking, competition moves from stakers with axes to computer geeks with programs. We have all seen the damage that high frequency trading has done to the TSX Venture Exchange, allowing computer programs (algos) to harvest gains and leave slower retail traders with the losses. On the paper staking side, computer programs now wait for claims to come open and pounce on them faster than any human being could. I'm wondering if anyone has thought to set up a claim service as physically close as possible to BC Governments servers in Victoria so as to scoop the competition by precious milliseconds. They do this in New York and London for stock trading; it's called co-location. In the high frequency trading world, one company recently laid a direct (like a bullet flies) fibre optic cable from New York to Chicago to beat other traders at a cost of \$100M per microsecond of advantage. Is this the basis we should be competing over mineral rights? Once again, does this serve the greater public interest? *Agreed 100% and am therefore not interested in going the online route unless enough checks and balances are to make the system airtight from viruses and hackers which I doubt will ever be the case.*

• **Physical staking entails risk which weeds out speculators with neither the ability nor the**

intention to prospect from those who are committed to this work. Consider two scenarios.

You want some ground. Scenario 1: You type it in, give them a credit card number for the fees and press enter. You either get it or you don't. If you don't, you get your money back.

Scenario 2: For exactly the same dollar cost as in Scenario 1, you either go yourself or hire someone to get out and stake the ground. You incur the physical risk of the work and the risk that someone else might beat you to the ground. If you don't get the ground, you lose everything ventured. Physical staking implies risk. This might be couched in other terms like "cumbersome" or "time consuming" but what's really on the line is risk. Now a speculator with any smarts engages in "asymmetric risks" where you put nothing down but stand to make a killing if things pan out. They don't like risk. A prospector with skin in the game is prepared to take a risk. Having a system with risk weeds out the speculators at the get-go because they stand to lose everything and aren't really committed to the upside.

It isn't really as much about the risk as it is about the costs; therefore if the map staking costs are structured to weed out the speculators then the removal of "staking risks" is certainly a moot point.

In Newfoundland for instance part of the fee for online staking is a \$50 per claim bond which is returned when physical work is done on the claims and a report filed. This bond could be more or there could be a minimum value for a staking bond, say \$1000. The speculators don't go on the ground so they would sacrifice this bond in most cases, or it would be a deterrent. Also paper or online staking makes acquiring ground in remote locations affordable for the prospector. Currently that really is not the case. Look at the ATAC ground and ask, why didn't any prospectors get in on that. Most couldn't afford it except for Ron

Berdahl who risked jumping in on the claim rush because he had a big fish hooked on his line who was backing him to a certain extent.

- **Physical staking levels the playing field between all players.** Big company or small time prospector: when it comes to staking a claim, the matter comes down to who wants it most and is prepared to go out and get it.

Bernie comment - I think the truth is the exact opposite. The costs associated with YT staking are what kept me out of the ATAC belt, and from grabbing more ground in the White Gold play. The costs are what have forced me to prospect prior to staking only to have that blow up in my face when the ground I was prospecting got gobbled up by someone with deeper pockets.

Burke- the real prospector stakes ground based on information, research or years of knowledge or having actually gone out and prospected. In a rush one may have a good idea for a package of ground as in Bernie's case above but you cannot afford to stake, then return to prospect later under the current system. In this case the prospector must change hats and become the speculator if they want in on the play. I also think the prospector is more nimble in being able to go out and stake a claim but simply cannot compete with the big company in acquiring ground no matter what system is employed.

- **Physical staking fosters competition by frustrating the accumulation of large packages of land.**

During the White Gold rush, the Yukon was well served by having a large number of small companies each out exploring prospective ground. Noted industry analysts – the Coffins, Brent Cook, Mickey Fulp – pointed out that this was in a large part due to physical staking which made it difficult for companies to tie up large blocks of ground without competition. There is a physical limit to how much staking can happen in a short time governed by crew and chopper availability and the fact that it takes time to do the work. This and the fact that physical staking is pretty obvious to astute observers prevents companies from staking large areas without tipping off competitors. With paper staking, the rush is over before you even knew it. *Not at all the case in the ATAC belt. And really only the case in the White Gold play because Shawn Ryan was smart enough to vend out ground to multiple parties. Shawn Ryan by this stage wasn't your typical prospector. Not many independent prospectors did acquire ground in the White Gold rush. And I think a cap on the amount an individual can stake in a day would easily solve the problem of someone gobbling everything up before anyone else can react, as long as you are paying attention and the Mining Recorder is posting new claim information daily.*

- **Physical staking minimizes “Minfile squatting”.** Okay – we all know the prospector (or speculator) who goes out and puts small claims on known occurrences (usually in the Minfile) and waits for someone to buy them out. A time honoured tactic that has paid off for some. In general, with physical staking, small blocks cost more than big blocks on a per claim basis. Not so for paper staking; they all cost the same. Furthermore, with some schemes, the cost for small blocks is actually cheaper per unit than for a larger block. There is no disincentive to putting a small number of claims on every known occurrence in sight. In the Yukon, “Minfile squatting” would bankrupt the richest company (try staking 2600 blocks of 4 claims each). With paper staking, it's no big deal and it is rife in BC. *Agreed 100% gotta keep those f\$#@%rs out of the game as best as possible. Again the idea of a bond per claim with a minimum bond amount would reduce this speculation. Also as Bernie has suggested don't have Minfile locations plot on claim maps. Most speculators are lazy and know little about the industry so this would be a deterrent to them. Make it a little difficult at least.*

- **Physical staking confers an advantage on those actually engaged in mineral exploration in an**

area. Physical staking confers a definite advantage to the person who is on the spot when the decision to acquire mineral rights is made. This advantage also accrues to people living nearby (think Mayo or Dawson) who either can stake for themselves or will have real opportunities to be hired by someone else who wants ground staked. If a company or prospector is working claims and finds new mineralization, they are best placed to stake before news even gets out. Consider paper staking however. Here the guy on the ground is at a *disadvantage*. No high speed internet line for him; if he's lucky he has a SAT phone. Physical staking confers the advantage to the party making a discovery. Most discoveries in the Yukon are still made by prospectors; don't tilt the field against them. *Prospectors are making the discoveries through research and targeting methods and if they are hitting the field before staking claims it is simply because they cannot afford to stake. I would love to be able to stake prior to hitting the field as it grants certainty of tenure and the work that is completed can be filed for assessment. In an average year approximately 5000 claims get staked, this equates to about 300 man days of labour, or enough to keep one guy busy for a year. What are we really losing?*

Also Bernie is a proponent of paper staking not online staking. The staker must physically go to the mining recorder office to stake. So the local does have the advantage, they could phone their buddy or wife or kid to go in to record if they found something in the field. Even if the requirement to record claims before work was eligible for assessment was removed it would still result in lost time for the prospector as they spend time and effort staking instead of prospecting.

- **Paper staking amounts to a transfer of money from individuals to the government.**

Cicero had a great line in court – *Cui bono?* (who benefits)?

Right now, any money spent on staking goes into the Yukon's private sector economy. Who benefits?

Well – chopper companies, staking contractors, restaurants, hotels (& bars), lumber yard to name a few.

The benefits also flow

disproportionately to the smaller communities where this work is staged from. Now consider paper staking. Of course – to discourage speculators – the government is not going to give you a claim for a lousy \$10 when they know how much it used to cost. No sir – it will be \$110. Now where do you think that money will go? Who else will benefit? Anyone who *pays* for staking (particularly if they are outside the Yukon) versus the prospector who puts sweat equity into the project. They will save money. So – with paper staking, companies win and the government wins; the local economy loses money and local prospectors lose a benefit. Finally,

consider one other point: If the Chamber of Mines is trying to make the argument that the smaller communities should support mining because of all the great benefits it brings, it strikes me as really dumb to advocate removing the only “mining” activity they ever see most of the time – staking. *Good point, I think the refundable fee will encourage field work and lead to just as many benefits to the community in the short term/up front and guaranteed more benefits down the line (based on discoveries) than the small amounts that staking bring into a community in a typical year. If the paper or online system is designed to get work done on the ground sooner through a refundable bond then discoveries should be made sooner and money should flow sooner.*

- **Paper staking devalues the mineral right by removing the risk premium from the value of the claims.** The risks of physical staking add value to the claims staked by a prospector. This can be

monetized when a property is sold. Do you think prospectors would have been able to sell blocks of 40 claims for \$75K a pop staked during the May-June 2009 staking rush if there was no risk? *The reason those claims were worth that much had nothing to do with the costs and risks of staking but rather the fact that a junior could pick up a piece of moose pasture and then see a quick double on the share price. People are willing to pay if they think they will get bang for their buck.*

After careful consideration, I think that paper staking is a seductive trap. Let's be honest: Who wouldn't rather punch a keyboard than go through the hassle of staking claims. In the end however, I think we will lose far more than we gain by moving to any system that does not require the prospector to physically stake claims.