

April 26, 2010

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Yukon Energy Corporation
2 Miles Canyon Road
Whitehorse, Yukon Y1A 6S7

Attention: David Morrison
President and CEO

Subject: Yukon Geothermal Study – Structural Interpretation of Regional Aeromagnetic Mapping

1.0 INTRODUCTION

EBA Engineering Consultants Ltd. (EBA) is presently managing a Yukon geothermal exploration program for Yukon Energy Corporation (YEC). The work reported herein represents the results of Phase 021 of the Yukon Geothermal Exploration Project. To support activities and assessments associated with this program, a desk-top exercise to interpret geology structures (faults) from aerial Total Magnetic Field regional aeromagnetic data was judged to be warranted.

Structural interpretation of aeromagnetic maps was completed for the following regions (Figure 1):

Section 4.1	Nash Creek	Figure 2
Section 4.2	Tintina Trench	Figure 3
Section 4.3	Volcano Mountain	Figure 4
Section 4.4	Shakwak Trench	Figure 5
Section 4.5	Whitehorse	Figure 6
Section 4.6	Swift River	Figure 7
Section 4.7	Coal River	Figure 8
Section 4.8	Larson Creek-Beaver River	Figure 9

This report summarizes the results of the interpretation of aeromagnetic maps to characterize potential geological structures in the above regions.

2.0 BACKGROUND

Airborne Magnetic Surveys have been conducted in many regions by public agencies and private industry since the 1940's as an exploration tool for resource assessment. Recent advances in the quality of the data sets collected and the software available for processing and presenting the results of aeromagnetic data provide a useful resource for assessment and mapping of geological structures. Interpretation of the magnetic responses, when integrated with an understanding of the

geomorphology and geology of the area, can provide accurate positioning of geological boundaries. Unconformable geological contacts, i.e., along faults lines, are particularly evident where magnetic signatures are distinct between units. Interpretation methodology consisted of inspection of computer screen and hard copy images, maps of the aeromagnetic data and other relevant data to define boundaries of magnetic units, structures dislocating or affecting the morphology of magnetic units and in some cases the attitude of magnetic units.

A typical modern aerial survey of the magnetic total field is acquired by mounting a magnetometer in the tail boom of a suitable fixed-wing aircraft and flown at an elevation of 250 m above ground with traverse spacing of 800 m integrated with constant records of location through Global Positioning System.

Deep fault structures can serve as conduits of thermal fluids heated at depth and are typically associated with geothermal resources such as hot springs. Fault interpretation from aeromagnetic mapping will augment data from other exploration techniques, such as open-water surveys, satellite and aerial infra-red surveys and regional geological mapping.

Magnetic anomalies related to faults may be caused by several different geological processes. The primary causes of linear magnetic signatures related to faults are fault movement and leaching or deposition of minerals by migrating fluids. Fault movement can create several changes in magnetic signal such as offsets of similar magnetic units, changes in depth of magnetic source, and inflections in aeromagnetic data due to abrupt change in lithological unit. Weathering in a fault plane can create a linear low magnetic response caused by the leaching of magnetic minerals. Precipitation of magnetic minerals along a fault plane can create a linear high magnetic response.

The aeromagnetic signatures caused by these processes have varying strengths, but most are expected to follow linear trends due to their association with faults. The identification of these anomalies depends on the contrast of the anomaly from the background aeromagnetic signature and the scale of the anomaly. (Gunn, et-al, 1997)

3.0 PURPOSE AND METHODS

The purpose of the project was to interpret available regional Total Field Magnetic mapping in conjunction with a study of the regional geology to identify faults in key regions of the Yukon that are presently being investigated for geothermal potential. Faults can be conduits of deep thermal fluids and are often associated with thermal springs.

Evaluation of the eight study regions included literature research and review of previous geological mapping and reports. The geology of the study area was researched by internet searches and by compiling regional geology mapping and reports available at resource libraries and the Geological Survey of Canada (GSC).

Aeromagnetic data at 1:250,000 scale was used in conjunction with geology and topography maps to interpret probable faults and fault zones for the eight study regions. Contrasts in aeromagnetic signature were identified and correlated with the geology and topography in each area to identify probable faults. Geological boundaries, anomalies in aeromagnetic data following linear topographic

trends, correlation with mapped faults, and the magnitude of the rate of change in aeromagnetic signature were integrated to identify probable structures.

4.0 RESULTS

4.1 NASH CREEK

Aeromagnetic mapping was available at 1:100,000 scale and 1:250,000 scale for the Nash Creek area. Mapped faults trend east-west, north-south and northeast-southwest. Two major faults with strong, northwest-southeast linear trends were interpreted from the aeromagnetic data on (north-east corner) and just outside (south-east) of the study area (Figure 2). No correlation was seen in this area between mapped faults and aeromagnetic anomalies.

4.2 TINTINA TRENCH

The scale of aeromagnetic mapping in the Tintina Trench region was variable; however, most of the region is covered by 1:250,000 scale maps. Structural mapping was limited on geology maps in some areas. The regional fault orientation is generally northwest-southeast with some discontinuous structures trending northeast-southwest. Faults interpreted from aeromagnetic mapping generally correspond to these trends and several linear aeromagnetic anomalies overlie faulting identified on regional geology maps (Figure 3).

4.3 VOLCANO MOUNTAIN

Regional geology maps within the Volcano Mountain do not include structural mapping. A number of strong linear trends are evident on aeromagnetic maps of the area, many of which correlate with geomorphological features and lithological contacts. These are interpreted as faults that illustrate a regional northwest-southeast orientation with a secondary east-west trend. Although lava flows in the vicinity of Volcano Mountain would be expected to mask aeromagnetic responses to underlying faulting, one anomaly near the mountain was identified as a potential fault (Figure 4) in the upper left of the study area, south of Volcano Mountain.

4.4 SHAKWAK TRENCH

Regional faults in the Shakwak Trench area are oriented northwest-southeast, parallel with the valley, and aeromagnetic anomalies reflected this trend. Bedrock on the valley floor is masked by thick glacial drift and aeromag anomalies were weak, although one pervasive structure appears evident. Interpretation of aeromagnetic data on a small scale was indeterminate; however, regional scale trends were more discernable (Figure 4).

4.5 WHITEHORSE

Most faults identified in the Whitehorse area follow the strong northwest-southeast regional trend. A secondary trend of mostly discontinuous faults trends north-south and northeast-southwest. Several aeromagnetic anomalies follow regional faults identified on geology maps. Aeromagnetic anomaly mapping also identified numerous possible faults that do not occur on existing geology maps (Figure 6). Mapping was limited to areas in the Yukon as aeromagnetic mapping of northern BC could not be located.

4.6 SWIFT RIVER

Structural geology mapping in the Swift River area of the Yukon is limited; however, the regional trend of structures identified on the aeromagnetic maps correlates with the northwest-southeast trend of known faulting (Figure 7).

4.7 COAL RIVER

Structural geology mapping in the Coal River area is limited on available geology maps. The strongest visible faulting occurs at the Coal River Warm Springs and parallels the regional northward orientation of faulting and folding. Faults interpreted from aeromagnetic data are located in the upper left of the map and trend northwest-southeast (Figure 8).

4.8 LARSON CREEK-BEAVER RIVER

The strong structural trend in this region is north-south. Discontinuous faults were interpreted from the aeromagnetic data at the west boundary of the study area and show fault trends generally in a north-south direction (Figure 9).

5.0 CONCLUSIONS

Structural mapping by interpretation of aeromagnetic maps was completed for eight regions in the Yukon. In all regions, strong aeromagnetic anomalies that correlate with geology contacts and topographic trends were located and interpreted as faults. The number of anomalies in each area varied widely and a few areas showed only a few linear magnetic total field trends (e.g., Nash Creek, Coal River and Larson Creek-Beaver River). These are all areas of faulting and folding of sedimentary rock, mostly limestone and are more likely to be barren of mineralization detectable by geophysics.

This project has resulted in new information on faulting in the regions of interest, providing useful information to better understand the geology in areas presently being evaluated for geothermal potential. This information has been integrated with the geology of ongoing phases of the project.

6.0 LIMITATIONS OF REPORT

This report and its contents are intended for the sole use of YEC and their agents. EBA does not accept any responsibility for the accuracy of any of the data, the analysis or the recommendations contained or referenced in the report when the report is used or relied upon by any Party other than YEC, or for any Project other than the proposed development at the subject site. Any such unauthorized use of this report is at the sole risk of the user. EBA's General Conditions are provided in Appendix A of this report.

We trust that the foregoing information meets your present requirements. If you have any questions or require further information, please contact the undersigned.

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Attachments: Figure 1: Study Regions
 Figures 2-9: Aeromagnetic Interpretation by Region
 Appendix A: General Conditions

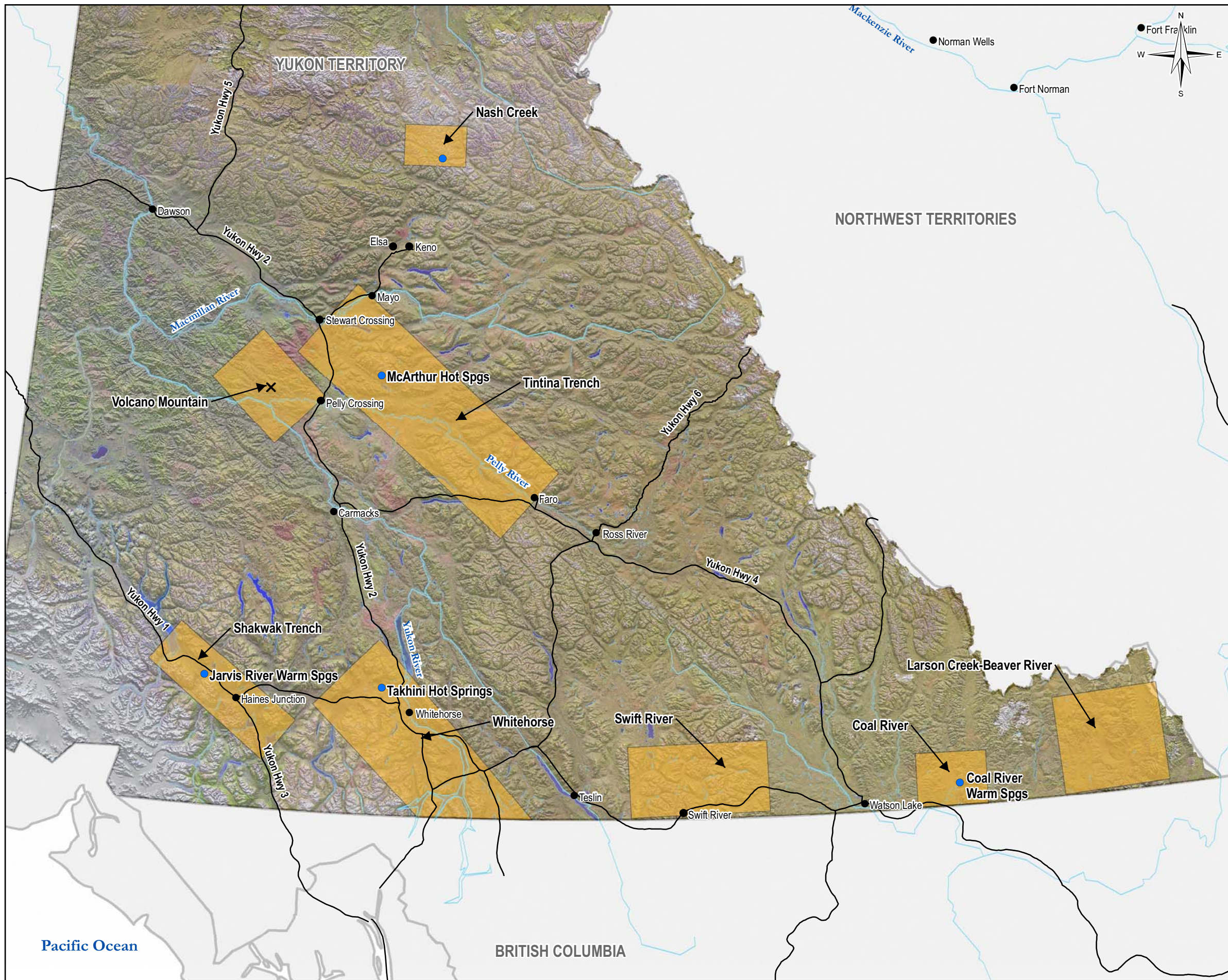
7.0 REFERENCES

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FIGURES



LEGEND

- Communities
- Roads
- Water
- Hot or Warm Springs
- Study Area



ISSUED FOR USE

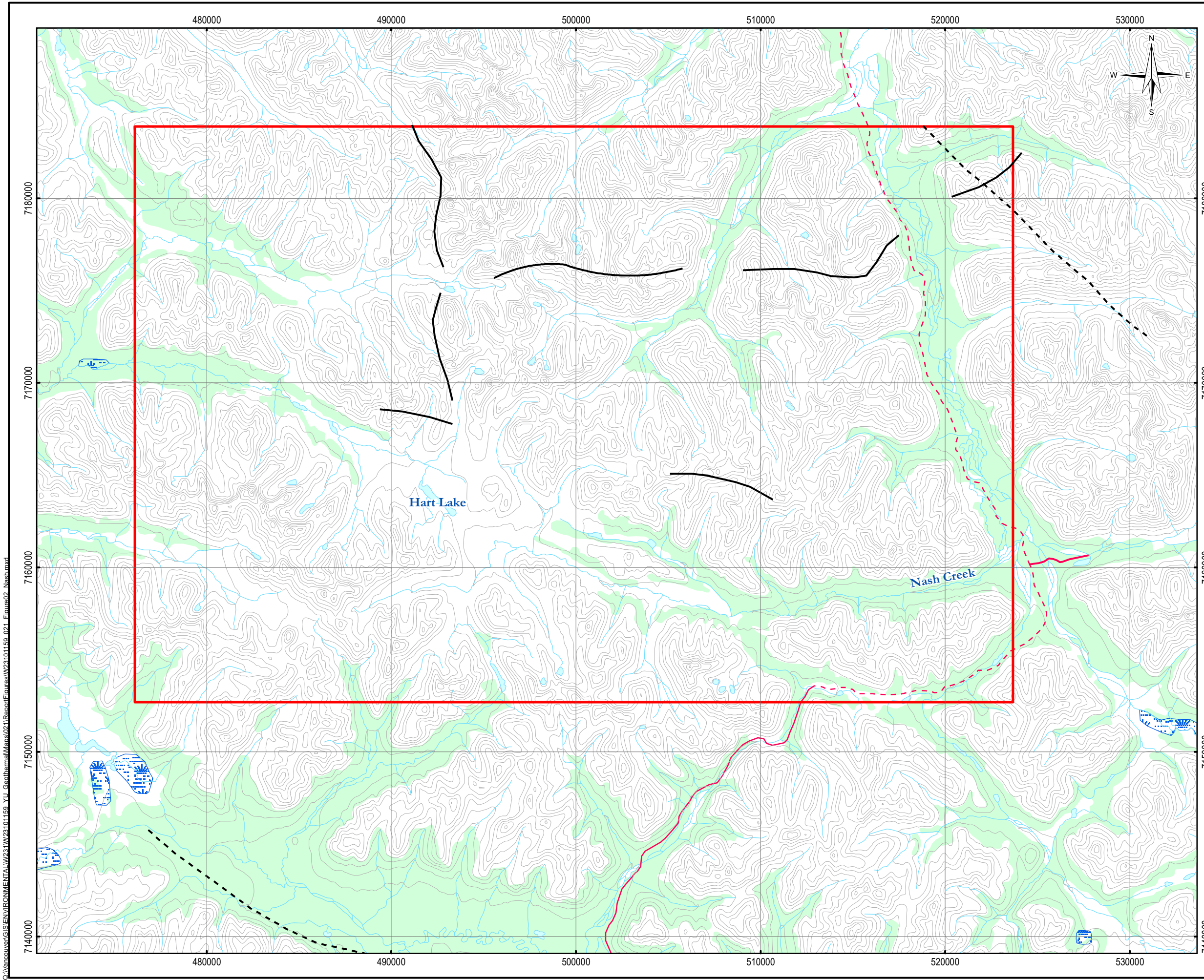
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YUKON-WIDE GEOTHERMAL EXPLORATION PROGRAM

**Aeromagnetic Total Field Mapping
Structural Interpretation;
Project Regions**

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PROJECT NO. W23101159.021	DWN MEZ	CKD JD	REV 0	Figure 1
OFFICE EBA-VANC	DATE April 28, 2010			

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- LEGEND**
- Study Area
 - Interpreted Fault
 - Mapped Fault
 - Limited Use Road
 - Trail
 - Contour (100m)
 - Watercourse
 - Waterbody
 - Wetland
 - Vegetation

ISSUED FOR USE

NOTES
Base data source: 1:250,000 NTS

**YUKON-WIDE GEOTHERMAL
EXPLORATION PROGRAM**

Aeromagnetic Interpretation
Nash Creek

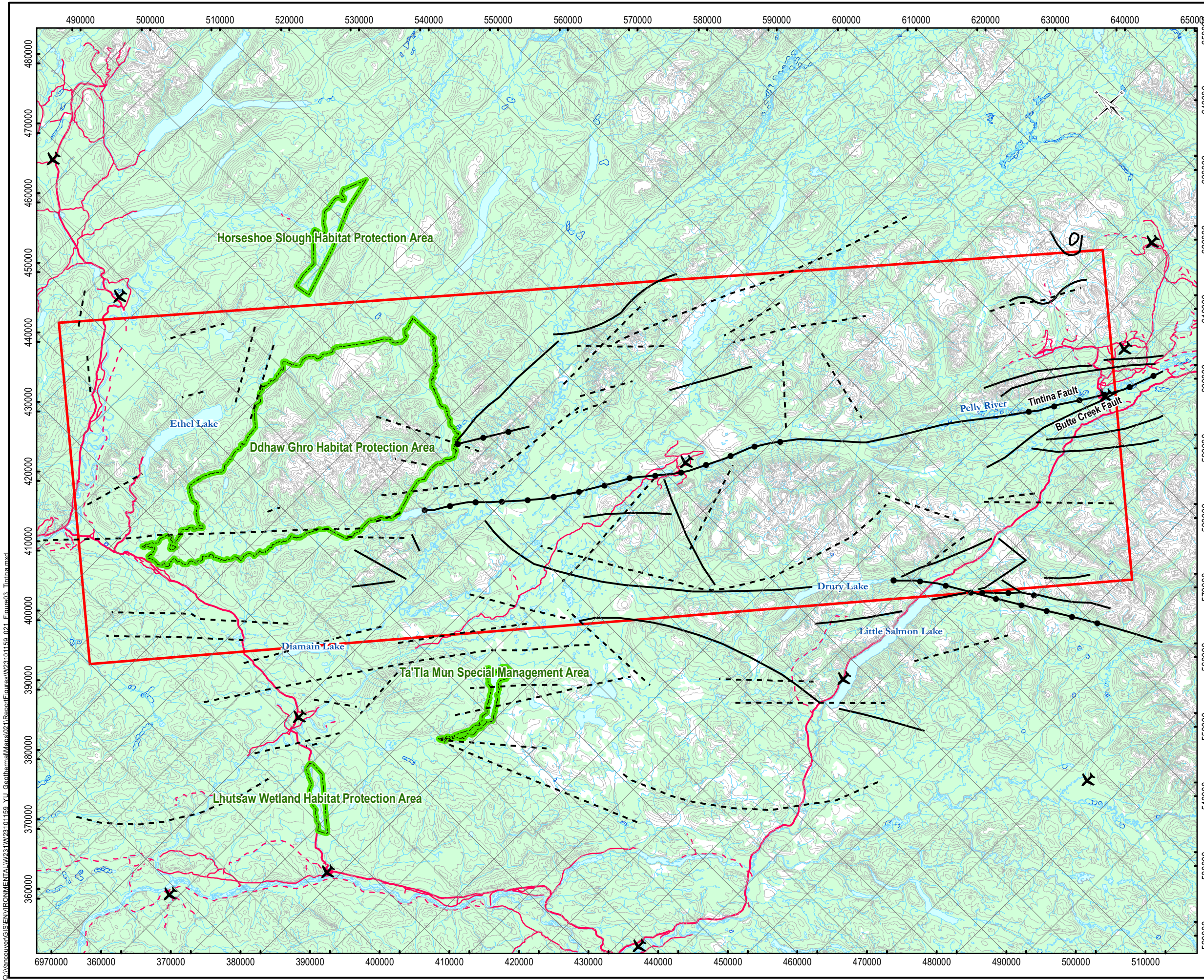
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FILE NO. W23101159_021_Figure02_Nash.mxd			
PROJECT NO. W23101159.021	DWN MEZ	CKD SS	REV 0
OFFICE EBA-VANC	DATE April 27, 2010		

Figure 2

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LEGEND

- Study Area
- Interpreted Fault
- Mapped Fault
- Aeromagnetic Anomaly Correlates with a Mapped Fault
- Parks and Protected Areas
- Runway
- Contour (100m)
- Limited Use Road
- Road
- Trail
- Watercourse
- Waterbody
- Wetland
- Vegetation

ISSUED FOR USE

NOTES
Base data source: 1:250,000 NTS

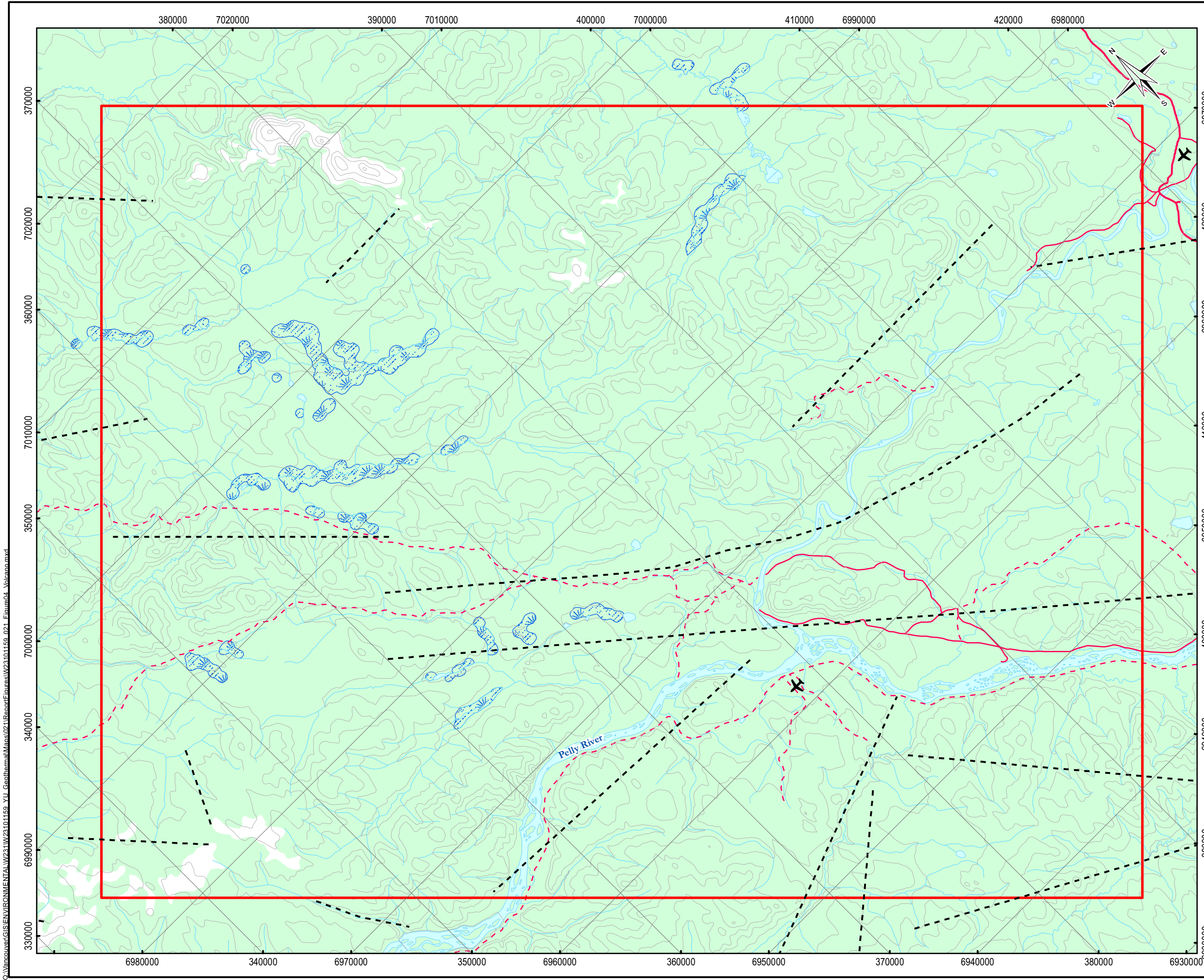
**YUKON-WIDE GEOTHERMAL
EXPLORATION PROGRAM**

**Aeromagnetic Interpretation
Tintina Trench**

<p>PROJECTION UTM Zone 8</p> <p>DATUM NAD83</p> <p style="text-align: center;">Scale: 1:750,000</p> <div style="text-align: center;"> <p>Kilometers</p> </div>	
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<p>OFFICE EBA-VANC</p>	<p>DATE April 28, 2010</p>

Figure 3

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LEGEND

- Study Area
- Interpreted Fault
- Runway
- Contour (100m)
- Limited Use Road
- Road
- Trail
- Watercourse
- Waterbody
- Wetland
- Vegetation



ISSUED FOR USE

NOTES

Base data source: 1:250,000 NTS

**YUKON-WIDE GEOTHERMAL
EXPLORATION PROGRAM**

**Aeromagnetic Interpretation
Volcano Mountain**

PROJECTION UTM Zone 8		DATUM NAD83	
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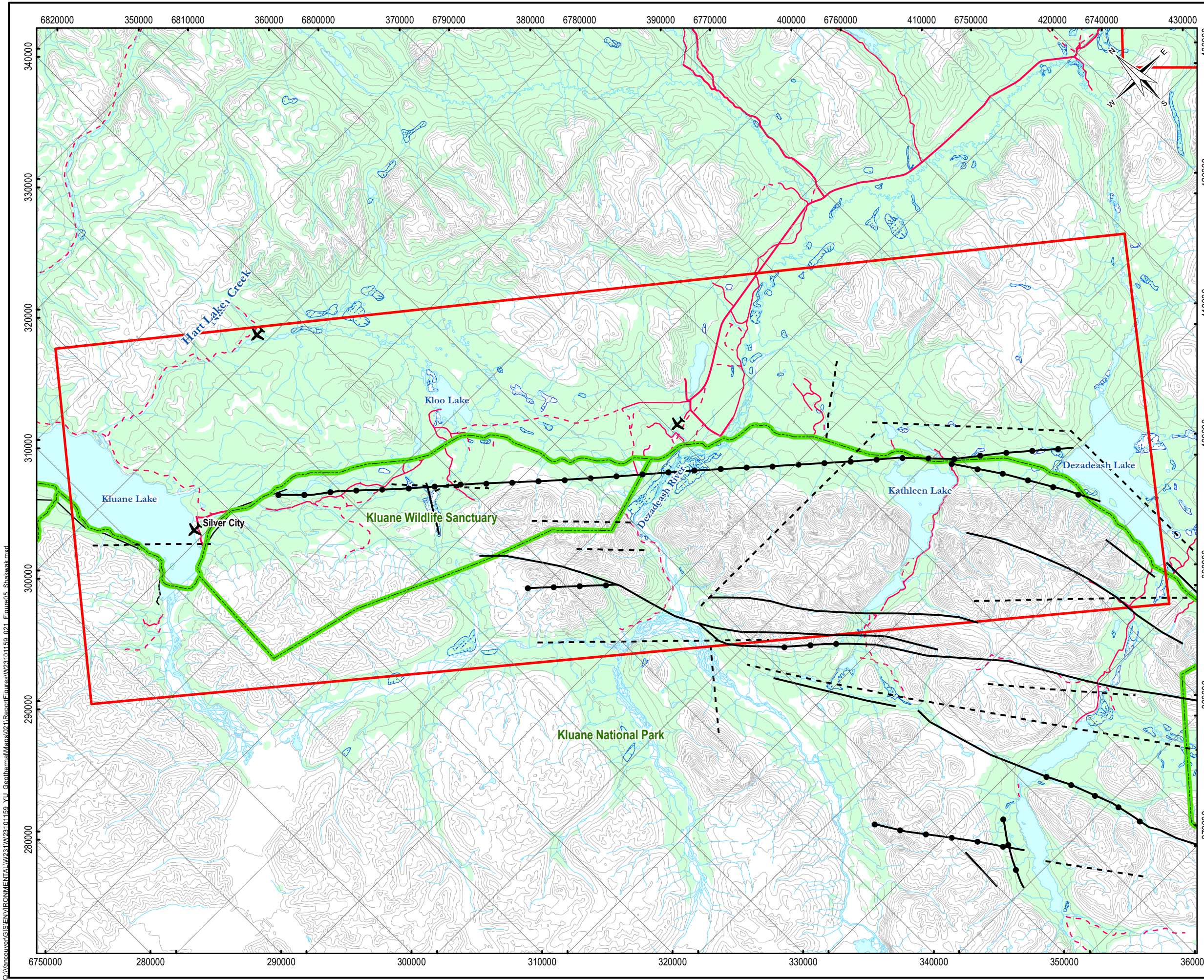
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Figure 4

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LEGEND

- Study Area
- Interpreted Fault
- Mapped Fault
- Aeromagnetic Anomaly Correlates with a Mapped Fault
- Parks and Protected Areas
- ✈ Runway
- Contour (100m)
- Limited Use Road
- Road
- Trail
- Watercourse
- Waterbody
- ▤ Wetland
- Vegetation

ISSUED FOR USE

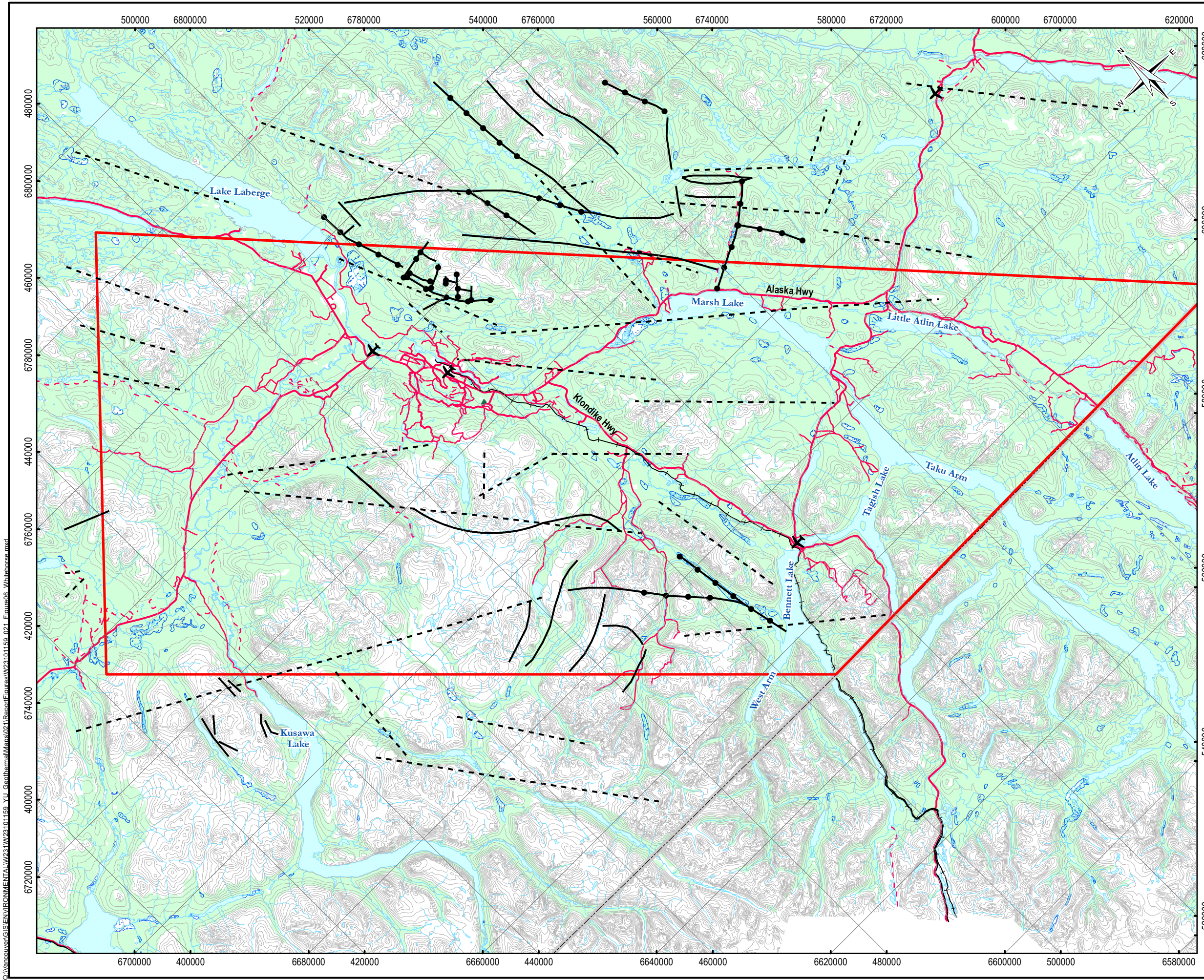
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**YUKON-WIDE GEOTHERMAL
EXPLORATION PROGRAM**

**Aeromagnetic Interpretation
Shakwak Trench**

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PROJECT NO. W23101159.021	DWN MEZ	CKD SS	REV 0	
OFFICE EBA-VANC	DATE April 28, 2010		Figure 5	

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LEGEND

- Study Area
- Interpreted Fault
- Mapped Fault
- Aeromagnetic Anomaly Correlates with a Mapped Fault
- Yukon-BC Border
- Runway
- Contour (100m)
- Limited Use Road
- Road
- Trail
- Railway
- Watercourse
- Waterbody
- Wetland
- Vegetation

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NOTES
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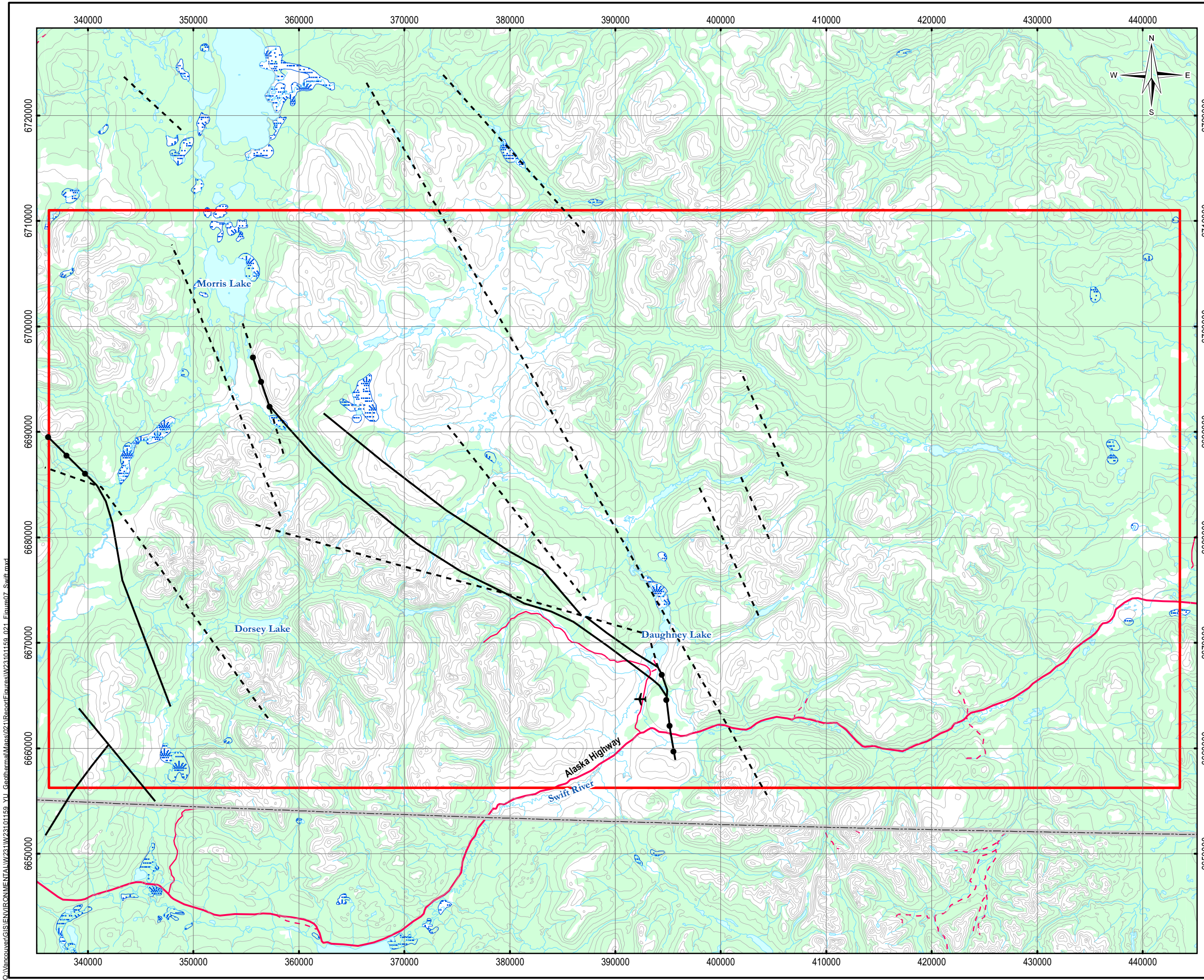
YUKON-WIDE GEOTHERMAL EXPLORATION PROGRAM

Aeromagnetic Interpretation Whitehorse

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PROJECT NO. W23101159.021	DWN MEZ	CKD SS	REV 0
OFFICE EBA-VANC	DATE April 28, 2010		

Figure 6

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LEGEND

- Study Area
- Interpreted Fault
- Mapped Fault
- Aeromagnetic Anomaly Correlates with a Mapped Fault
- Yukon-BC Border
- Runway
- Contour (100m)
- Limited Use Road
- Road
- Trail
- Watercourse
- Waterbody
- Wetland
- Vegetation



ISSUED FOR USE

NOTES
Base data source: 1:250,000 NTS

YUKON-WIDE GEOTHERMAL EXPLORATION PROGRAM

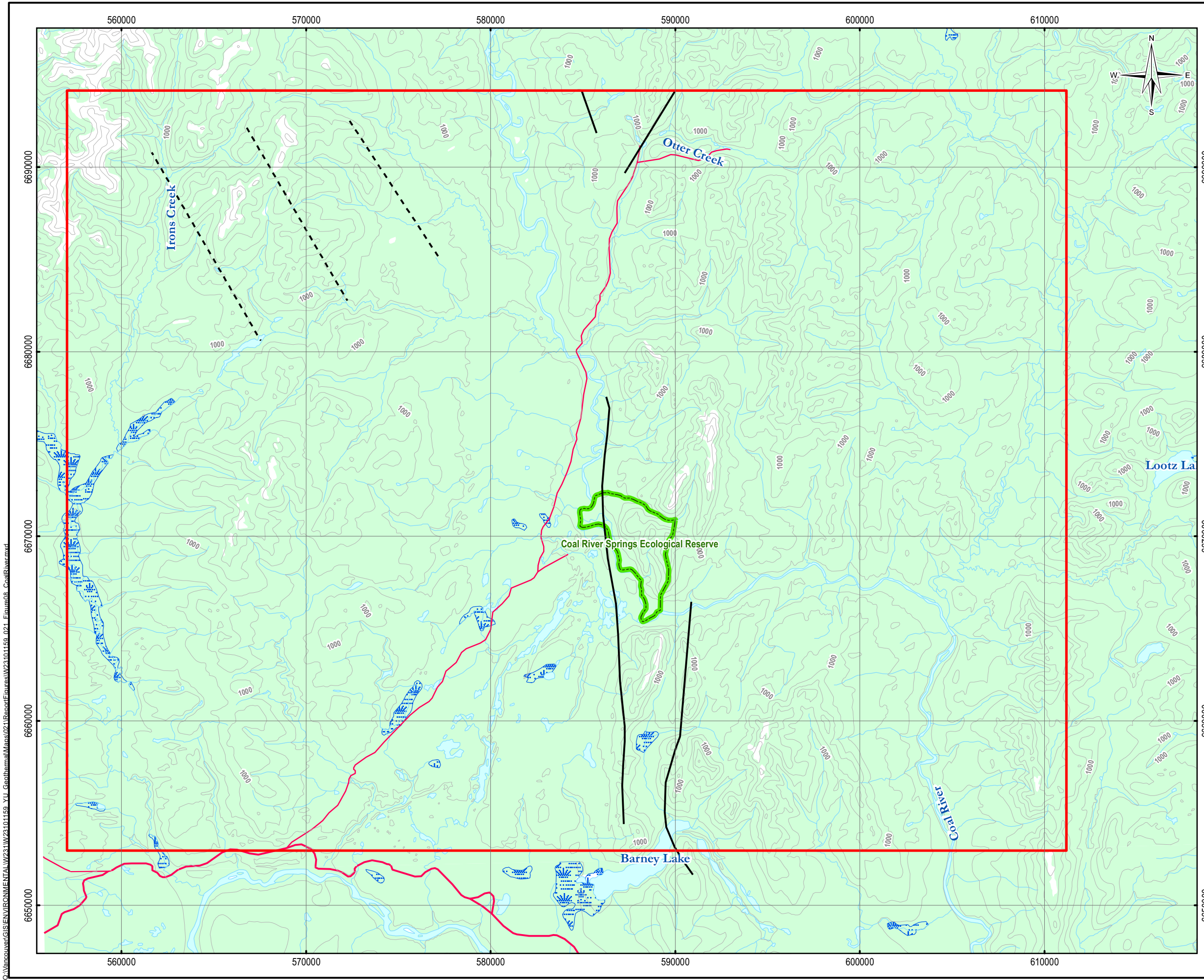
**Aeromagnetic Interpretation
Swift River**

PROJECTION UTM Zone 9	DATUM NAD83		
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PROJECT NO. W23101159.021	DWN MEZ	CKD SS	REV 0
OFFICE EBA-VANC	DATE April 28, 2010		



Figure 7

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LEGEND

- Study Area
- Interpreted Fault
- Mapped Fault
- Contour (100m)
- Limited Use Road
- Road
- Parks and Protected Areas
- Watercourse
- Waterbody
- Wetland
- Vegetation

ISSUED FOR USE

NOTES
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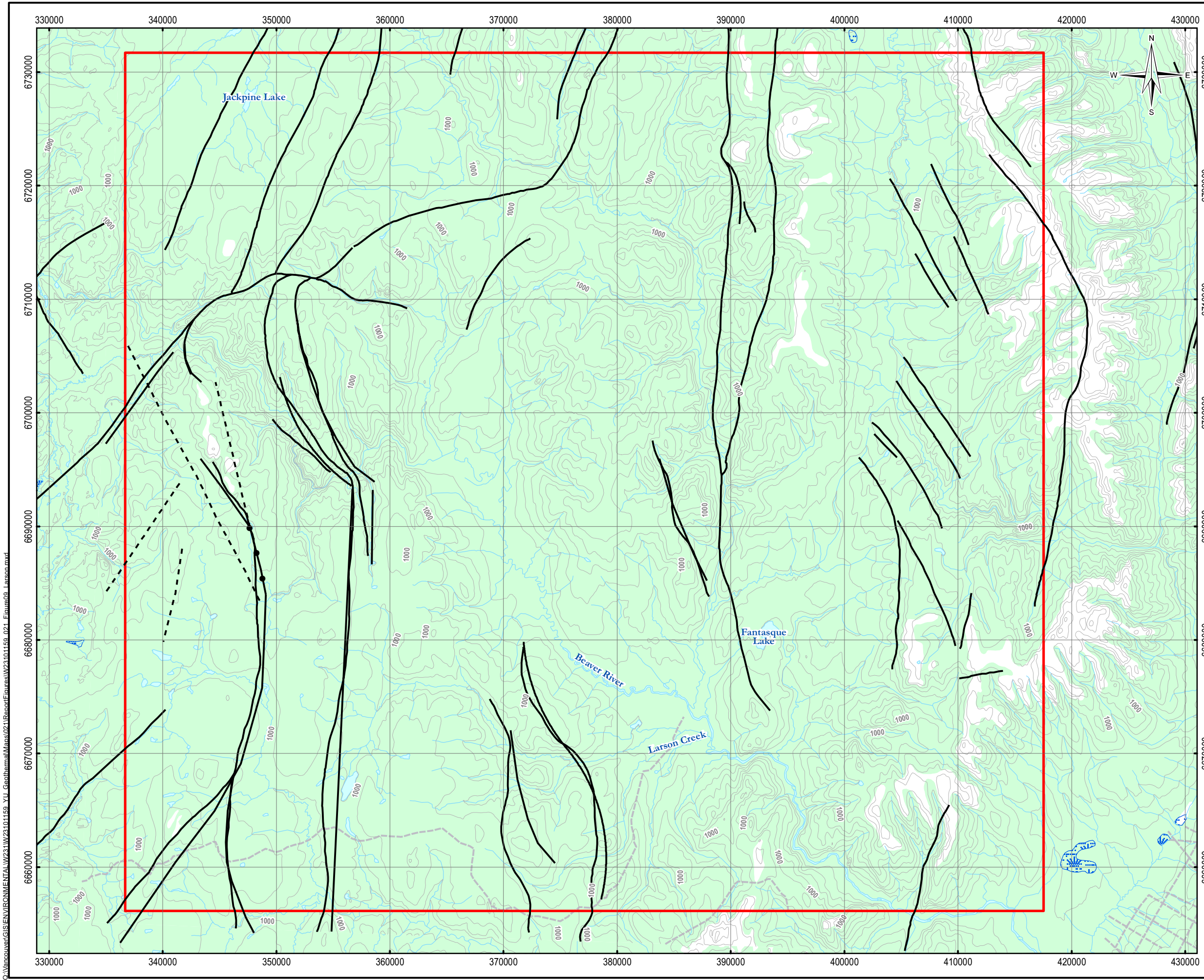
YUKON-WIDE GEOTHERMAL EXPLORATION PROGRAM

**Aeromagnetic Interpretation
Coal River**

PROJECTION UTM Zone 9	DATUM NAD83		
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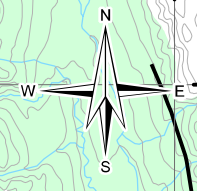
Figure 8

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LEGEND

- Study Area
- Interpreted Fault
- Mapped Fault
- Aeromagnetic Anomaly Correlates with a Mapped Fault
- Contour (100m)
- Watercourse
- Waterbody
- Wetland
- Vegetation



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NOTES
Base data source: 1:250,000 NTS

YUKON-WIDE GEOTHERMAL EXPLORATION PROGRAM

Aeromagnetic Interpretation
Larson Creek - Beaver River

PROJECTION UTM Zone 10		DATUM NAD83	
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FILE NO. W23101159_021_Figure09_Larson.mxd			
PROJECT NO. W23101159.021	DWN MEZ	CKD SS	REV 0
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Figure 9

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APPENDIX

APPENDIX A GENERAL CONDITIONS



GEO-ENVIRONMENTAL REPORT – GENERAL CONDITIONS

This report incorporates and is subject to these “General Conditions”.

1.0 USE OF REPORT AND OWNERSHIP

This report pertains to a specific site, a specific development, and a specific scope of work. It is not applicable to any other sites, nor should it be relied upon for types of development other than those to which it refers. Any variation from the site or proposed development would necessitate a supplementary investigation and assessment.

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In certain instances, the discovery of hazardous substances or conditions and materials may require that regulatory agencies and other persons be informed and the client agrees that notification to such bodies or persons as required may be done by EBA in its reasonably exercised discretion.