

Mining Sector
Core activities: Exploration
Core area of activity: Canada
Listing: TSX (CYU.V)

Columbia Yukon Explorations Inc



Columbia Yukon is focusing on exploration and development of the promising Storie project, a large-tonnage, lower-grade molybdenum deposit near Cassiar. The Storie Deposit hosts a substantial NI 43-101-compliant mineral resource, with the potential for increases in grade and tonnage through further drilling.

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Initiation Report

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Key Points

6 August 2008

Price: C\$0.54

Columbia Yukon Explorations Inc is a Canadian-based, TSX Venture Exchange-listed junior explorer with a promising molybdenum project in northwestern British Columbia and several other mineral prospects in Canada. The company is focusing on exploration and development of its Storie Moly Deposit project, a large-tonnage, lower-grade molybdenum deposit near Cassiar. The Storie Deposit hosts a substantial NI 43-101-compliant mineral resource, with the potential for increases in grade and tonnage through further drilling.

- **Columbia Yukon has a major molybdenum resource at Storie Deposit**

Columbia Yukon acquired the Storie Deposit project through a 2006 option agreement. A series of aggressive drill programmes led to the calculation of an NI 43-101-compliant inferred resource last year. This recently was substantially upgraded to an indicated 98.3 million tonnes, averaging 0.064 percent molybdenum, with an inferred 30.9 million tonnes averaging 0.059 percent molybdenum.

- **The exploration potential at Storie Deposit remains excellent**

The resource remains open along strike to the east, north and west, and at depth. Columbia Yukon completed another drill programme subsequent to the resource calculation, which resulted in extensions to the mineralisation, and with potentially higher grades. In particular, evidence of a significant higher-grade zone could appreciably enhance the project economics.

- **Columbia Yukon is undertaking another major drill programme in 2008**

Based on the encouraging assays obtained in 2007, Columbia Yukon designed its 2008 drill programme to expand the existing resource further. In particular, the drilling, which commenced in late May, is focusing on further delineation and expansion of the new higher-grade zone noted last year. The company is budgeting over C\$6m for its 2008 exploration programme.

- **A second British Columbia project offers added potential**

The company has a gold prospect in southeastern British Columbia. The Barnes Creek property has a lower priority in light of recent developments at Storie and Columbia Yukon is optioning the project to White Tiger Mining Corp. White Tiger can earn a 60-percent interest in exchange for a C\$0.5m exploration expenditure over a two-year period. Columbia Yukon also holds interests in several prospects in Labrador.

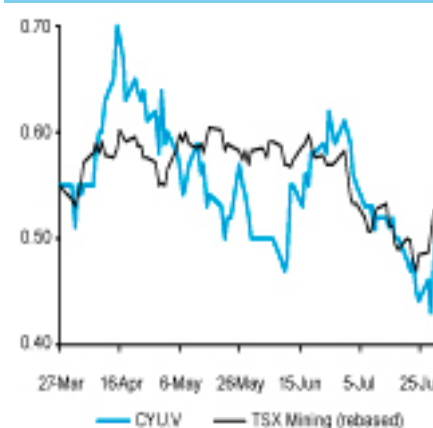
- **Exploration risk remains high**

Columbia Yukon's Storie Deposit project has a substantial indicated resource with opportunities for significant expansion. The potential economics are favourable, but the project remains at the exploration stage, prior to prefeasibility. As a result, there is a risk that development at Storie Deposit will not occur in time to capitalise on the currently robust molybdenum price. Further, there is the risk that continued exploration might not delineate sufficient economic mineralisation to support our base hypotheses.

- **Our core base-case valuation of C\$0.92 is appreciably higher than the current share price**

We assess Columbia Yukon's current value at C\$0.92 per share, with significant potential for appreciation with exploration success. Continued development suggests valuations as high as C\$4.78 per share in the post-permitting environment.

Price chart (C\$)



Current fair value of equity

Expected Value	C\$37.8m
Value per share	C\$0.92

Derisked upside potential*

Our core scenario	C\$2.00
Our optimistic scenario	C\$4.78
Maximum potential	C\$5.51

*potential assuming projects reach permitting

Company details

Quote

Shares	
- TSX	CYU.V
- Pinksheets	CYUXF.PK
Hi-Lo last 12-mos. (p)	1.55 - 0.42
Shares issued (m)	40.8
Fully diluted (m)	51.0
Market Cap'n (C\$m)	21.6
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Overview

Columbia Yukon Explorations is a TSX Venture Exchange-listed, Vancouver-based, Canadian exploration company with a promising molybdenum project in northwestern British Columbia, an early-stage gold prospect in southeastern British Columbia, and three metals prospects in Labrador. The Storie molybdenum deposit hosts a significant NI 43-101-compliant, predominately indicated, mineral resource, which remains open along strike and at depth. Columbia Yukon's strategy is to focus on the Storie Deposit through continued exploration and development.

The Storie Deposit project is now Columbia Yukon's cornerstone project...

Columbia Yukon acquired an option to earn a 100-percent interest in the Storie molybdenum property near Cassiar in northwestern British Columbia in 2006. The agreement required the company to spend C\$4m over a five-year period, a commitment that Columbia Yukon fulfilled by the autumn of 2007.

The company completed a drill programme in 2006. That data, combined with historical drilling in 1979 and 1980 allowed the calculation last year of an NI 43-101-compliant inferred resource of 101.6 million tonnes, averaging 0.067 percent molybdenum, using a cut-off of 0.035 percent molybdenum and a maximum open pit mining depth of 325 metres.

Columbia Yukon completed a larger drill programme in 2007. Data from 75 holes of those holes, combined with 20 tests in 2006 and the historic drilling allowed for a significant expansion and upgrade of the resource. The Storie Moly deposit now contains an indicated resource of 98.4 million tonnes averaging 0.064 percent molybdenum, with an inferred resource of 30.9 million tonnes, averaging 0.059 percent molybdenum, based on a cut-off of 0.03 percent molybdenum. The resource remains open at depth, and to the east, north and west.

The 23,000-metre drill programme in 2007 showed Columbia Yukon has opportunities to increase both the tonnage and grade of the resource. In particular, infill holes over the western portion of the deposit showed substantial intersections of higher-grade mineralisation. Several holes returned intervals of between 105 metres and 220 metres, with grades ranging from 0.10 percent to 0.147 percent molybdenum.

Columbia Yukon began an aggressive new exploration programme in May 2008, with plans for approximately 30,000 metres of drilling. This drilling will continue to probe the high-grade mineralisation over the western portion of the deposit and attempt to expand the known resource, especially to the west. Further, the drilling will test the deposit at depths below 300 metres, where there are signs of a previously undetected mineralised sheet. Columbia Yukon expects to spend in excess of C\$6m on Storie during the 2008 programme.

...with potentially favourable economic potential

Columbia Yukon substantially upgraded its mineral resource calculation following the 2007 drilling, and we believe further upgrades and increases are likely, following the current programme. Further, the topography and the outcropping nature of the deposit make Storie Deposit particularly amenable to open pit mining.

For modelling purposes, we have assumed the company will be able to produce a substantial increase in available tonnage through continued exploration, sufficient to support a 20,000-tonne-per-day mine for a period of approximately

twenty years, commencing in 2013. Our model assumes a theoretical 133 million tonnes of material with a diluted average grade of 0.069 percent molybdenum, based on a cut-off of 0.035 percent molybdenum.

The project has good road access and an available water source, but additional infrastructure will be required. A Storie mine will require development of power supply and other key infrastructure, but projected costs compare favourably with other projects in the area.

Exploration of the Storie Deposit is advanced, but a prefeasibility study has yet to be completed. Columbia Yukon has commenced initial baseline environmental studies and other preliminaries to assist in the preparation of an environmental impact assessment and permit applications. The company is also actively liaising with the local First Nations group.

The currently robust market for molybdenum makes large tonnage, lower-grade molybdenum deposits producing clean, primary concentrates particularly attractive. We project the price of molybdenum will revert toward its long-term, inflation-adjusted mean over the next several years, but Columbia Yukon could have the opportunity to maximise its cash flow in the first few years, if it can fast-track development, or if the molybdenum price remains strong into the 2010s. The current turmoil in the financial markets is making it difficult for current developers to obtain financing for large molybdenum projects, and any resulting development delays could sustain higher prices into the longer term.

Columbia Yukon will advance its gold property through an option agreement

The company currently holds a 100-percent interest in the Barnes Creek gold project in southeastern British Columbia. With its focus almost solely on Storie, Columbia Yukon recently signed an option agreement with White Tiger Mining Corp. White Tiger can earn a 60-percent interest in the project by spending C\$0.5m over a two-year period.

The geological target at Barnes Creek is structurally controlled gold and silver in veins, but the project is at an early stage, with only reconnaissance work completed prior to Columbia Yukon's arrival. The company has completed limited trenching and drilling on the property.

Columbia Yukon also holds a fifty-percent interest in the VBE-2 base-metal property located in the Voisey's Bay area of Labrador. Celtic Minerals and Merrex Gold have acquired the right to earn a 100-percent interest in the property by spending C\$1.6 million in exploration over a four-year period. The company holds a fifty-percent interest in the nearby VBE-1 property and a 100-percent interest in the Barr/1506 Claims in Labrador. These projects are not significant contributors to Columbia Yukon's valuation.

Columbia Yukon's management has both financial and geological experience

A management group led by Doug Mason and Ron Coombes has significant experience in raising venture capital for development projects, including mineral resource projects. The management group has been involved in managing and directing public companies for many years. Columbia Yukon's management also includes the geological and engineering expertise needed to advance the Storie Deposit project.

Valuation

Our valuation approach

We have valued Columbia Yukon based on assessing the economic potential of the company's key property, the Storie molybdenum project. In so doing we have accounted for: the likelihood that an economic resource will ultimately be proven; the likelihood that feasibility will be established, after considering metallurgical, social and permit issues etc; and the likely economics if actual mining were to occur, considering parameters such as tax, operating costs, revenues etc.

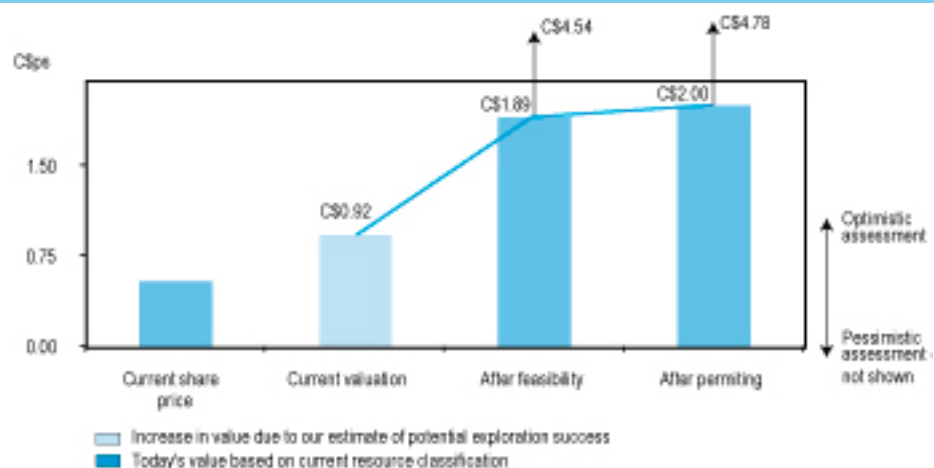
One of the key issues that any mining analysis must consider is the problem posed by the dependence of our assessment on commodity prices. This issue takes two forms – what will be the price environment when mining eventually occurs; and the operating dynamics in response to changing mining prices.

From a valuation perspective, the aspect of operational dynamics that is of interest is the ability to “mothball” operations during periods when the commodity price is below the marginal cost of extraction. This creates what is frequently referred to as “optionality” – something that traditional NPV fails to capture. Intuitively this can most easily be understood by thinking of NPV as assuming that positive and negative deviations from our mid-case have a similar likelihood of occurring and hence balance each other – however, in mining, the downside is capped at the cost of “mothballing” the site.

We capture these aspects by valuing each year's production as an option assuming that prices revert to mean over the long run – that is, the mine will only operate if the commodity price is above the extraction cost. In essence, rather than valuing that year's production as we would in an NPV model as the discounted value of the cash-flow estimated using the mid-case for the commodity price we value the probability that the price is above the extraction cost.

In valuing the economic potential of resource projects, we assume that while commodity prices are volatile they return to an inflation-adjusted, long-run mean. For example, in the case of precious metals, molybdenum has historically traded at approximately US\$9.70 per pound in current dollars since the early 1950s, with deviations from mean normally correcting over 8.0 years with a volatility of 28 percent.

What Columbia Yukon could be worth - now and in the future



Source: Objective Capital

Fair value summary (C\$m)

Scenario	Base	Pessimistic	Optimistic
Property portfolio			
- Storie Deposit	40.0	(6.6)	99.4
- other	1.4	1.4	1.4
Total	41.4	(5.2)	100.8
Less: overhead	13.5	13.5	13.5
Expected value of portfolio	27.9	(18.7)	87.3
Add: other investments	0.0	0.0	0.0
Add: starting cash + new funds	12.4	12.4	12.4
Total current value for firm	40.3	(6.3)	99.7
Less: bank & other debt	0.0	0.0	0.0
Total value to equity claims	40.3	(6.3)	99.7
Less: warrants	2.6	0.0	11.3
Ordinary equity holders	37.8	(6.3)	88.4
Value per share (C\$)	0.92	(0.15)	2.16

Expected fair value of Columbia Yukon Explorations

Scenario	Risked mineable resources (m tonnes)	Storie Moly property value (C\$m)	CYU Valuation (C\$m)	Value per share (C\$)
Base case outlook	83.3	40.0	37.8	0.92
Value for scenarios of further exploration success				
Full proved up	119.3	116.7	102.7	2.52
Optimistic outlook	111.3	99.4	88.4	2.16
Pessimistic outlook	61.5	(6.6)	(6.3)	(0.15)

Value with no further exploration success

Current resource estimate	49.2	(12.2)	(11.9)	(0.29)
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Note:

- 'fully proven up' scenario assumes that current mineable resource estimates are upgraded to 'Proven' status
- for further details see Storie property section

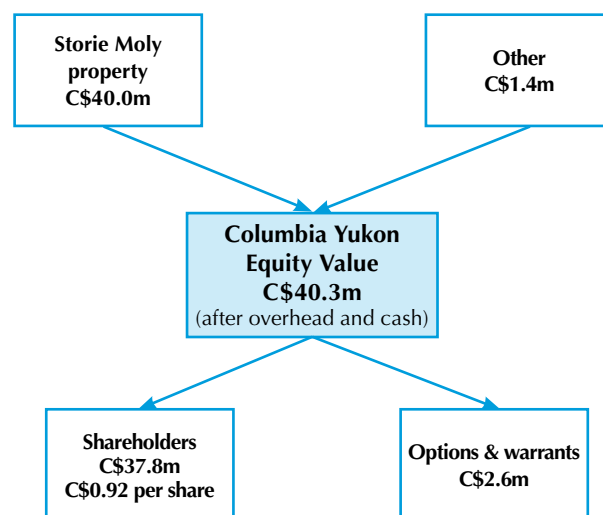
Sensitivities to assumptions on ...

Long run real moly price (US\$/lb)	7.70	8.70	9.70	10.70	11.70
Value (C\$/share)	-0.29	0.29	0.92	1.61	2.59
Time for moly price to revert to mean (years)	6	7	8	9	10
Value (C\$/share)	-0.08	0.41	0.92	1.45	1.99
Volatility of moly price (%)	23%	28%	33%	38%	43%
Value (C\$/share)	0.65	0.92	1.25	1.64	2.10
Interest rate (%)	3.5%	3.6%	3.7%	3.8%	3.9%
Value (C\$/share)	0.98	0.95	0.92	0.90	0.87

Sensitivity to market assumptions ...

Recovery rate (%)	-2%	-1%	+0%	+1%	+2%
Value (C\$/share)	0.77	0.85	0.92	1.00	1.08
Change in value (%)	-16%	-8%		+8%	+17%
Roasting charge (C\$ per tonne)	0.86	0.91	0.95	1.00	1.04
Value (C\$/share)	0.94	0.92	0.91	0.89	0.88
Change in value (%)	+2%		-2%	-3%	-5%
Increase in capital cost (%)	+0%	+10%	+20%	+30%	+40%
Value (C\$/share)	0.92	0.64	0.35	0.04	-0.27
Change in value (%)		-31%	-63%	-96%	-130%

Components of Columbia Yukon's entity value



Storie Deposit valuation (C\$m)

Scenarios for exploration success	Base	Optimistic	Pessimistic
Net value of production	570.1	570.1	570.1
Expected mining success*	63%	84%	46%
Expected net value of production	357.8	477.9	263.5
Add: tax shield on depreciation charge	71.3	71.3	71.3
Less: development & operational capex	323.3	323.3	323.3
Value of mining operations	105.8	225.9	11.5
Probability of reaching mine development	49%	49%	49%
Expected value of deposit	52.3	111.6	5.7
Less:			
- expect pre-development costs**	3.1	3.1	3.1
- further exploration costs ***	9.2	9.2	9.2
Expected value of project	40.0	99.4	(6.6)
effective risk haircut	84%	65%	98%
Ownership	100%	100%	100%
Columbia Yukon's share	40.0	99.4	(6.6)

* portion of reserve/resource expected to be converted to a mineable resource, probability-weighted for our confidence they will be proven-up

** shown as expected value of being incurred after allowing for likelihood of reaching each development stage

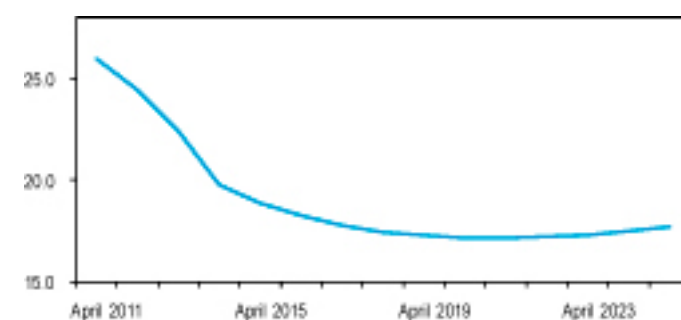
*** present value

Commodity market assumptions

Molybdenum prices are mean reverting

Long run level	9.70 US\$/lb
Avg time to revert	8 years
Volatility	28%
Inflationary price growth	2.5%

Expected molybdenum price (US\$/lb)



Our key assumptions

We have modelled Columbia Yukon's Storie Deposit project based on the following key assumptions:

- the property currently has an NI 43-101-compliant indicated and inferred resource of 110.4 million tonnes, using a cut-off of 0.035 percent. We hypothesise a further 50 million tonnes in theoretical mineral potential. Our analysis assumes that further exploration will convert this combined amount to a mineable resource of some 133 million tonnes – or, after allowing for the confidence level of each resource category, 83 million tonnes on a risk adjusted basis.
- assuming exploration success we have modelled that mining will commence in the fourth quarter of calendar 2012 targeting an eventual capacity of 20,000 tonnes per day. We assume capital expenditures will begin in late 2010 with a total cost of approximately C\$390m over the following two years.
- we assume initial operating costs of C\$9.00 per pound of molybdenum or C\$17.50 per tonne milled, escalating at a nominal rate of inflation thereafter. We assume a tax rate of thirty percent.
- Columbia Yukon has yet to complete exploration of the Storie Deposit project. We have assumed success probabilities of 65 percent, 80 percent and 90 percent at the pre-feasibility, feasibility and permitting stages respectively.

Our results

After allowing for likely economics, exploration potential and development risk our analysis suggests an expected value of C\$40.0m for the Storie Moly project. We ascribe current nominal book values of C\$1.3m for Barnes Creek and C\$0.1m for the Labrador properties. After allowing for corporate overhead and outstanding warrants, our assessment of Columbia Yukon's ordinary equity results in a base case current valuation of C\$37.8m, or C\$0.92 per share, with an optimistic current valuation of C\$2.16 per share, assuming higher probabilities of exploration success.

Our analysis suggests that Columbia Yukon's current value is based largely on exploration and development potential at Storie and should there be no further success, then the current level of risked resources may not be sufficient to justify extraction. Alternately, if all available potential resources in the company's Storie Deposit project were ultimately proven, they could yield up to C\$5.51 per share. Our base-case and optimistic outlooks, assuming success at all stages through permitting, result in valuations of C\$2.00 and C\$4.78 per share respectively.

Success at any of the company's other projects, or delineation of additional resources beyond our hypothesised estimates could add further value.

Benchmarks

Benchmark comparisons with other companies can offer only a rough guide to what might occur as Columbia Yukon develops Storie Deposit, in that the company is a junior, exploring a property prior to the prefeasibility stage. The comparison of publicly stated mineral resources divided by the company's most recent market capitalisation suggests Columbia Yukon is significantly undervalued with respect to its peers.

As shown in the table below, we have compared other companies with significant molybdenum projects at early and intermediate stages of exploration, and a few now in production. In general terms, they show the increase in value attaching to a resource as exploration advances.

For current or imminent producers, the market is ascribing values between C\$1 and C\$2 per pound of molybdenum in established resources. Companies with well-defined formal resources at the feasibility stage typically carry market capitalisations between C\$0.40 and C\$1 per pound of molybdenum, a range generally dependent upon the stage of exploration, the size of the deposit the likely method of mining and the perceived likelihood of development. Companies with initial resource calculations and with potential to substantially increase these resources have lower market capitalisations, typically between C\$0.10 and C\$0.30.

At present, we credit Columbia Yukon with a hypothesised molybdenum resource of roughly 178 million pounds, using a 0.03-percent cut-off. This figure, and the company's current market capitalisation, translates to C\$0.12 per pound of molybdenum, a surprisingly low value given the large indicated component to the company's resource estimate. This result falls within the lowest range of expected values. Indeed, with credit for only the indicated resource calculated at a cut-off of 0.035 per cent, Columbia Yukon's market capitalisation per pound of molybdenum rises only to C\$0.17, still at the lower end of the expected range.

What the market is paying for comparable companies

Company	Ticker	Price C\$	Shares (m)	Mkt Cap (m)	Mo Equiv Mln Lbs	Mkt Cap per lb Mo	Development Stage
Columbia Yukon	CYU.V	0.53	40.8	\$21.6	178	\$0.12	Exploration
Adanac Molybdenum	AUA.TO	0.39	114.6	\$44.7	326	\$0.14	Feasibility
Strategic Metals	SMD.V	0.43	58.4	\$25.1	112	\$0.22	Exploration
Hi Ho Silver	HIHO.C	0.72	22.2	\$16.0	48	\$0.33	Exploration
Roca Mines	ROK.V	1.87	80.9	\$151.3	90	\$1.68	Production
Thompson Creek	TCM.TO	16.61	125.0	\$2,076.9	1114	\$1.86	Production

Source: Objective Capital

Key Risks

Columbia Yukon's Storie molybdenum project offers good potential for exploration and development success, but the project remains at a moderate stage of exploration and development. The company has a substantial indicated resource, but the project has not yet been the subject of a prefeasibility or scoping study. As a result, much of the company's value will depend on the ability of Columbia Yukon to expand and upgrade its mineral resource and demonstrate economic viability. Therefore, the Storie Deposit project carries significant risk.

Columbia Yukon's success depends on...

...the company delineating sufficient resources to support mining

Columbia Yukon has a large indicated resource at Storie, but the company will have to expand the tonnage and potentially improve the grade of the ore to demonstrate the economic potential of the project. We base our valuation of Columbia Yukon on the reasonable assumption that the company will achieve a substantial increase in tonnage, and a modest increase in average grade through the delineation of the high-grade zone. Failure to expand the current resource materially would have a proportionately adverse impact on our valuation.

...the molybdenum market remaining robust

Molybdenum broke out of a prolonged slump in 2004, with prices reaching US\$40 per pound in 2005. The price of molybdenum has averaged US\$30 per pound since late in 2004, resulting in plans to develop several large tonnage molybdenum deposits. As a result, we expect the price to revert toward its long-term mean. Although we believe this will result in the inflation-adjusted price remaining above US\$17 per pound, unforeseen increases in supply or decreases on demand would materially lower our valuation and potentially jeopardise the project.

...the company's ability to control capital and operating costs

The Storie Deposit project lies in a remote region and Columbia Yukon will face significant infrastructure issues. In particular, obtaining access to hydroelectric power in a timely and cost-effective manner will be important to the project economics. The typical project scale creates the risk that future cash flow will be insufficient to repay the required initial capital investment. Further, there is the risk that revenues will be insufficient to cover operating costs. Mining developments and operations continue to face significant inflationary pressures due to shortages of equipment, supplies and labour. We expect these pressures will abate in the mid-term, but there is a risk that inflationary pressures will exceed our assumed rates.

...the company's ability to raise further funds for exploration and development

Columbia Yukon is a junior exploration company with limited access to capital. We expect it will need increasing and significant amounts of cash to fund its exploration programmes. In addition, the company will need capital to cover development costs for Storie, with continued exploration success. The need for further private placements of Columbia Yukon shares could result in significant dilution to shareholders.

...the company's ability to obtain permits and environmental approvals

Although we see no major environmental or permitting issues at Storie, the company would have to complete detailed environmental assessments in order to obtain provincial and federal approvals for project development. Although the risk of failing to obtain permission is low, there is the risk of added costs and delays.

Columbia Yukon Explorations Inc is a Canadian-based public company based in Vancouver, British Columbia and trading on the TSX Venture Exchange. The company is focusing on exploration and development of the Storie molybdenum deposit in northwestern British Columbia. It also has several other projects, including the Barnes Creek gold and silver prospect in southeastern British Columbia, the 1506-Barr, VBE-1 and VBE-2 base metal prospects in Labrador. The company's focus will be continued development of Storie.

Columbia Yukon Resources Ltd obtained its initial listing in 1995 on the Alberta Stock Exchange, one of the predecessor exchanges of the TSX Venture Exchange. The company held interests in properties in the Voisey Bay area of Labrador, including the three Labrador prospects still on the company's books.

In 1998, as sagging metal prices exacerbated a recession in the resource sector, the company consolidated its shares on a 1-for-7 basis and adopted its current name. In 2002, the company again consolidated its shares, this time on a 1-for-9.5 basis.

Douglas Mason served as a director of Columbia Yukon since 1994 and he served as the company's president from 1994 to 2006, when Ron Coombes became president of the company. Mr Coombes joined the Columbia Yukon board of directors several months earlier, late in 2005. Benjamin Ainsworth joined the board of Columbia Yukon with Mr Mason in 1994. Bruce Morley arrived in 2004, John Morita in 2006 and Sead Hamzagic in 2008. Mr Hamzagic recently replaced Mr Morita as chief financial officer.

Columbia Yukon's management and directors have held or currently hold positions with many other publicly listed companies, and have shared management responsibilities with several companies, including Waterfront Capital Corp, Clearly Canadian Beverage Corp, Black Panther Mining Corp and International Bethlehem Mining Corp.

Early in 2006, Columbia Yukon agreed to option the Storie molybdenum project from Eveready Resource Corp. The company can earn a 100-percent interest in the project for escalating exploration expenditures totalling C\$4m over a five-year period. The company completed its spending requirement in the autumn of 2007, well ahead of schedule.

The Storie Deposit lies immediately south of the Cassiar district in northwestern British Columbia and is accessible by a dirt road linking the property with the paved provincial road system. Prior to Columbia Yukon's arrival, Shell Canada was the last explorer to actively drill the deposit, approximately 25 years ago.

Columbia Yukon commenced drilling in 2006, leading to the calculation of an NI 43-101-compliant mineral resource. The company subsequently completed a major drill programme in 2007, which allowed for a substantial upgrade to the resource. This recent revision, based on a 0.030-percent cut-off, shows an indicated resource of 98.3 million tonnes, averaging 0.064 percent molybdenum and an inferred resource of 30.9 million tonnes, averaging 0.058 percent molybdenum. The deposit remains open to the east, north and west, and at depth and management believes an expectation of further increases in both the tonnage and grade of the resource are reasonable.

Columbia Yukon commenced another aggressive drill programme at Storie in late May. The company has contracted for four rigs to drill a minimum of 30,000 metres, intended to expand the mineral resource significantly. As well, the drilling will focus on resource definition of the recently discovered high-grade zone.

The company currently has 40.84 million shares issued and outstanding. In addition, Columbia Yukon currently has 6.0 million share purchase warrants outstanding, exercisable over the coming year at prices between C\$1.25 and C\$2.10 per share. Further, the company currently has 3.74 million options outstanding, exercisable at prices between C\$0.55 and C\$1.28 and with expiry dates varying between late 2008 and late 2012. If fully exercised, the 9.77 million options and warrants would increase the company's cash position by C\$11.7m and bring its share count to 50.6 million.

As of February 1, 2008, Columbia Yukon held C\$8.3m in cash and C\$2.67m in marketable securities, with net current assets of C\$11.2m. As a result, the company's exploration programmes are fully funded for 2008. Since then, the company realised a further C\$1.2m from the exercise of warrants.

Columbia Yukon's directors and officers directly or indirectly hold 3.09 million shares of the company, accounting for just over 7.5 percent of the total outstanding. They also hold options to purchase 2.65 million shares and 350,000 share purchase warrants.

The shares of Columbia Yukon are widely held, and no one shareholder owns more than ten percent of the currently outstanding shares. The largest shareholder of record is Doug Mason, who holds 2.3 million shares directly, or through Criterion Capital Corp.

Columbia Yukon has been exponentially increasing its exploration expenditures over the past two years. In its fiscal years ending in April 2004, 2005 and 2006, the company averaged C\$0.4m in expenditures. The company spent C\$2.25m in its 2007 fiscal year and through the first nine months of its 2008 fiscal year, it spent C\$6.53m.

The company has been funding these increased expenditures primarily through private placements of its shares. During its 2006 fiscal year, Columbia Yukon issued 2.0 million shares for C\$0.95m. In fiscal 2007 the company issued 16.5 million shares for C\$7.2m. Through the first nine months of the current fiscal year, the company issued 14.2 million shares for C\$15.0m. This activity has resulted in significant share dilution for long-term shareholders. The company's share total increased from 4.99 million on May 1, 2004 to the current 40.84 million shares.

Like many Canadian junior mineral exploration companies, Columbia Yukon maintains its head office in the Vancouver region of British Columbia.

Molybdenum (chemical symbol Mo) is a soft grey metal with one of the highest melting points of all pure elements. In a natural state, it only occurs in chemical combination with other elements; the only ore mineral of commercial significance is molybdenite (MoS_2). Typical economic grade thresholds for ores vary between 0.01 percent to 0.25 percent molybdenum.

Molybdenum was first mined in North America in Colorado in 1916, and the United States remains the leading producer nation today. Chile, China and Peru are other key producers; the top four nations accounted for 88 percent of annual production during 2006. Canada ranked fifth as a producer in 2006, accounting for 4.2 percent of global production.

Molybdenum concentrates produced by mines are converted to molybdenum trioxide (MoO_3) at a relatively small number of roasting facilities around the world. This technical grade molybdic oxide (TMO), is then sold to consumers or converted to ferromolybdenum (FeMo) or molybdenum metal (Mo) for use as an alloying metal.

Production

Only one third of the total molybdenum production comes from mines with molybdenum as the primary product, all of which are located either in North America or China. The balance is a by- or co-product of copper, coming mainly from large-scale porphyry copper mines. For this reason molybdenum supply, and therefore the molybdenum price, is influenced heavily by the economics of copper mining. Molybdenum production levels from individual copper mines can vary significantly from year to year, as molybdenum grades can differ greatly in different parts of the same copper porphyry ore body.

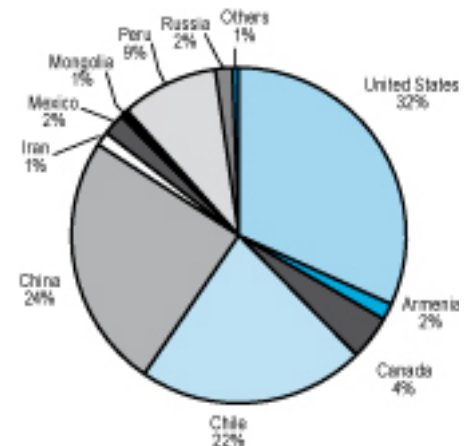
Some operations have the ability to selectively mine higher-molybdenum-grade parts of their ore body in response to market conditions but overall, the by-product production from copper mines is expected to have reached a plateau in the short-to-medium term.

The quantities of molybdenum produced increased from 280 million pounds in 2002 to over 400 million pounds in 2005, and then remained flat the following year.

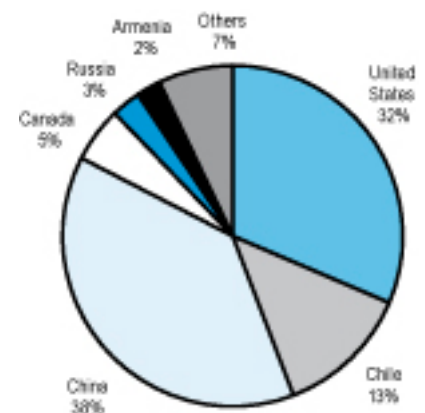
Four companies, Codelco, Freeport McMoran, Rio Tinto and Grupo Mexico, dominate the supply of molybdenum concentrates, whilst Molymet is the leading non-integrated roasting-leaching company. These companies between them account for over half of the world's production of molybdenum.

The Molybdenum Industry

2007 World molybdenum production



2007 World molybdenum reserves



Source: United States Geological Survey

China has some 200 molybdenum mines in the northeast region of the country, but output has fallen significantly since February 2005, when its industry suffered successive hits from tax fraud, expiring licences and the closure of illegal operations. Recovery of Chinese exports has been delayed by the imposition of a 10-percent export duty by the Chinese government on molybdenum trioxide and ferromolybdenum, which has led to a significant decline in exports. Further, the quality of concentrates from Chinese mines has historically been poor.

Most recently, the rising price of molybdenum has made recycling more economically viable, although it remains very small in scale.

Applications

Demand for molybdenum comes primarily from the steel industry, which on a global basis accounts for about 75 percent of the total consumption. Within this sector, the largest single application is in high specification stainless steel but consumption of high-strength, low-alloy construction steel is at only a slightly lower level. The small balance of consumption in the steel industry comes from tool steels and cast iron products.

The remaining 25 percent of global demand comes from a variety of users. The production of catalysts for the oil refining industry accounts for about nine percent of annual demand, whilst the production of pure molybdenum metals or super alloys for high temperature applications accounts for approximately ten percent of demand. Chemical uses account for the remaining demand.

Europe is the most important area of consumption with 35 percent of the global total followed by the US with twenty percent and Japan with fifteen percent. Of the balance, China accounts for seven percent, Russia approximately five percent, South Korea four percent, and other markets for the remaining fourteen percent.

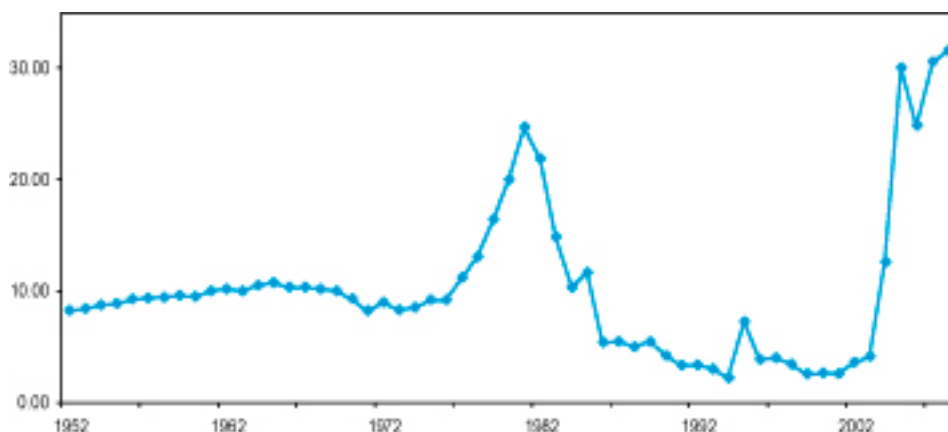
Demand for molybdenum mirrors that of the steel industry as a whole. The steel industry has been extremely buoyant over the past two years, with 2006 production of 1,240 million tonnes up nearly nine percent on the previous year. Global stainless steel melt production grew by an average of over 5.0 percent per annum from 2000 to 2006. Much of this strong growth can be attributed to the rapid rise in production capacity in Asian countries, particularly after 2001. Production is forecast to continue to grow from 2008 through 2015, albeit at a reduced rate.

This growth in steel production is encouraging for the molybdenum market as there are relatively few acceptable substitutes for molybdenum in most of its uses.

The demand for molybdenum in catalysts is another important growth area. This market continues to rise as petroleum refiners increase their need for cleaner, de-sulphurised and de-nitrogenised fuels.

Inflation-adjusted Molybdenum price

2007 US\$ per pound



Source: United States Geological Survey and Objective Capital

Prices

Future developments in the stainless steel market, itself closely tied to the health of the world economies, will have a significant influence on movements in molybdenum supply, demand and prices.

The price of molybdenum peaked at US\$40 per pound in mid-2005 and is currently selling for US\$32.75 per pound, its average over the past 42 months. From the mid-1990s to 2004, molybdenum averaged US\$4.50 per pound.

The significant increase in prices after 2003 was initially prompted by a growing supply deficit, but this has been exacerbated from 2005 onwards by the shortage of roasting capacity and the unpredictability of Chinese supplies. From 2005 to 2007, there was a shortfall in roasting capacity relative to concentrate supply and this shortfall is set to persist into 2009 or later. This has been a significant factor underpinning prices in recent years.

Additional roasting capacity has been added, and more is currently planned or under construction, but that is not expected to relieve the global roasting capacity shortfall in the short-term. No new capacity, independent of a new mine is likely to come on stream before 2009.

Supply deficits are expected to continue to affect the molybdenum market through 2008 and 2009, even allowing for additional production from existing mines in response to high prices. More than twenty significant molybdenum projects were under consideration but most have yet to move to the development stage. From 2009 onwards, the market could return to a surplus, if a number of new projects and expansions come on stream simultaneously. Major increases in capital and operating cost projections coupled with difficulty in obtaining adequate financing after the sub-prime crisis of August 2007 are significant development hurdles facing most developers.

In the short-term, the molybdenum market will remain prone to significant price volatility, biased toward higher prices over short periods. Whilst prices are not expected to rise substantially from current levels, they are unlikely to return to their pre-2004 levels, as they remain underpinned by limited roasting capacity and strong demand.

Generally, the quality of all molybdenite concentrates has declined over the last five years as miners tried to remove the molybdenum from copper concentrates at minimum cost. This caused the original low quality concentrates to be sold at increasing discounts as the availability of good quality concentrates with which they could be blended declined.

It is likely that by-product concentrates, of a quality that makes their direct conversion to acceptable TMO standards difficult, will continue to sell at a discount. High quality, primary concentrates will, by contrast, command a premium. A long-term price level assumption, in current dollars, of US\$9.70 per pound of molybdenum for clean, primary concentrates therefore appears to be reasonable, and potentially conservative.

The mining environment in British Columbia

British Columbia is the westernmost province of Canada, bordering on the Pacific Ocean. The economy of the province is robust, fuelled by a wealth of natural resources and vibrant manufacturing, transport and agricultural sectors. Traditionally, British Columbia has one of the stronger provincial economies, usually ranking as a “have province” under Canada’s system of taxation redistribution.

Mining has been in and out of favour with provincial governments, with the leftist New Democratic Party often perceived as anti-development, in particular with regard to the mining and forestry sectors. The centrist Liberal party has held power since 2001 and in the latest survey of mining executives completed by the Fraser Institute, British Columbia ranks nineteenth among the 68 surveyed jurisdictions. It holds ninth spot among the thirteen provinces and territories in Canada, and ranks notably well ahead of Nunavut and the Northwest Territories.

Despite its mediocre ranking within Canada, the province has been improving dramatically in the perception of mining executives for several years since the province ranked dead last among all jurisdictions in the 2001-2002 survey.

Unsurprisingly, the province ranks highest on its mineral potential, taxation and security, and fares poorest in categories pertaining to governmental policy and labour issues.

Metallic mineral production in British Columbia reached C\$2.99bn in 2007, ranking fourth in Canada behind Ontario, Newfoundland and Labrador, and Quebec. Copper accounted for C\$1.98bn of British Columbia’s production, and the province accounted for all of Canada’s molybdenum production.

Location and infrastructure

The Storie Deposit is a lower-grade, bulk-tonnage porphyry molybdenum deposit located six kilometres southwest of the town of Cassiar in the north western corner of British Columbia, Canada.

Cassiar is connected to Highway 37 by a fifteen-kilometre paved road; the highway provides access to the Alaska Highway some 120 kilometres away, and to Watson Lake, which is the nearest main town. A gravel airstrip is located three kilometres from Cassiar. The property is accessible by four-wheel drive vehicle from Cassiar, on a loose surface road.

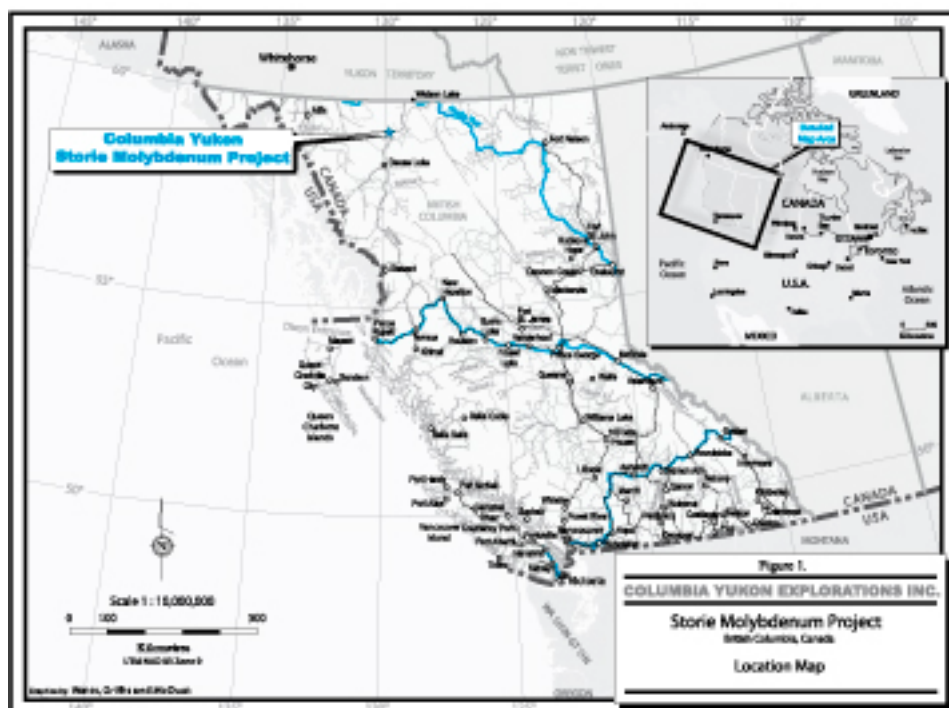
The Storie property consists of two mineral tenures with a total area of 900 hectares and two adjacent claims of 1,000 hectares, over which Columbia Yukon has the right to any molybdenum discoveries. Columbia Yukon has the right of first refusal on ten other contiguous tenures, totalling 1,300 hectares. The claims are not subject to any royalties or carried interests.

The area lies east of the Coast Range Mountains and has an interior west-coast type of continental climate, with severe winters and cool summer months notable for long daylight hours. The property is usually snow-free from late June to mid September, although the exploration season is somewhat longer.

The property is above the tree line, and vegetation is limited to alpine grass, shrubs and other scrub vegetation. Soils are poorly developed and there is scattered bedrock exposure with little glacial overburden. Much of the area is talus-covered.

The Storie Deposit Property

Storie molybdenum project

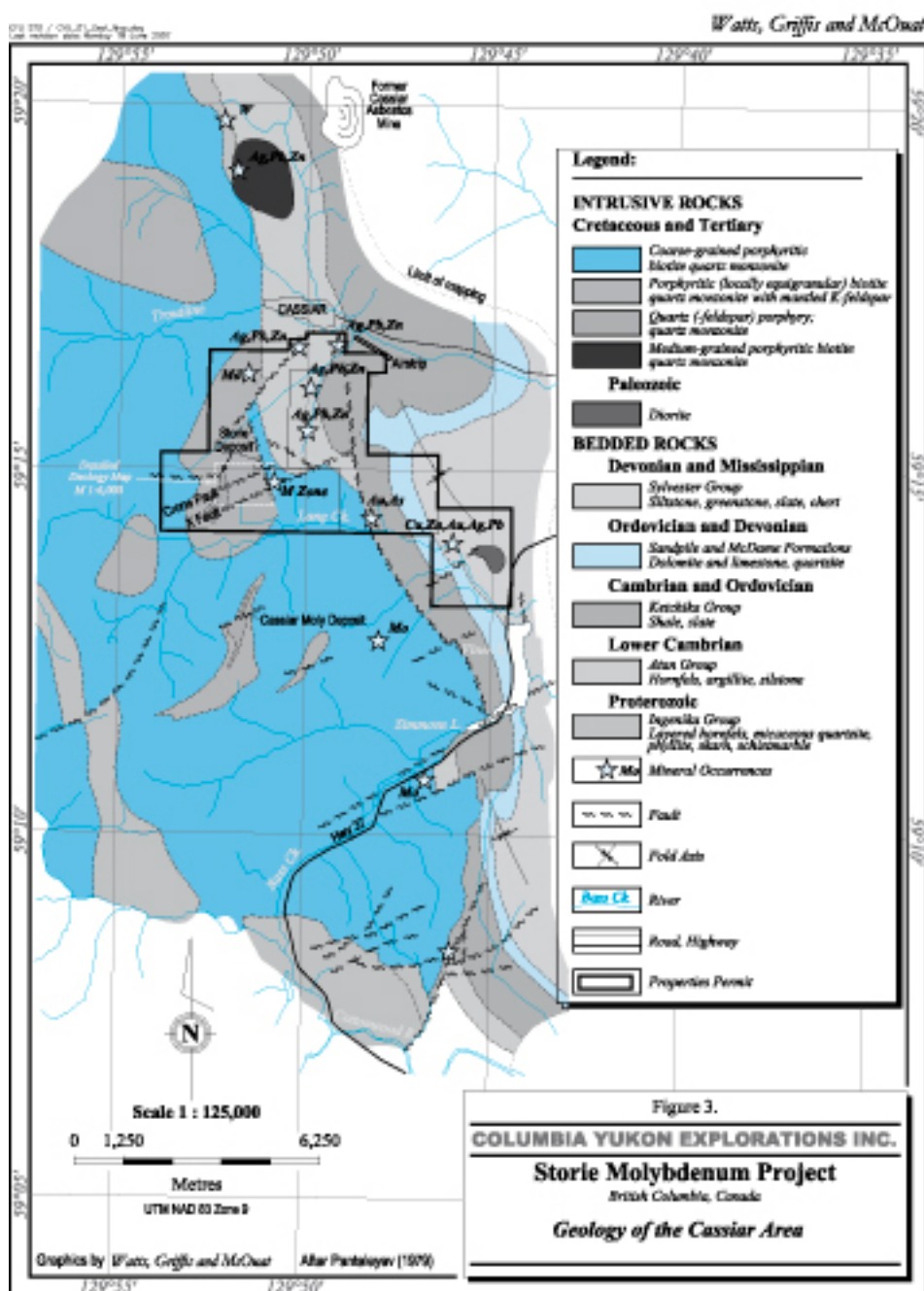


Source: Columbia Yukon Explorations Inc.

There is no significant infrastructure on the property. A former asbestos mine at Cassiar closed in 1992, and the site of the abandoned mill could potentially be used for a new mill. Processing water for the asbestos operation came from Troutline Creek.

Electrical supply locally is diesel-generated. The British Columbia electrical grid is some 350 kilometres to the south, in the town of Stewart. The provincial government is expected to extend the grid power line along the route of Highway 37 and Columbia Yukon expects to make a shared contribution to access power. Alternately, there are plans to run power transmission lines from the Yukon grid to service other mining projects in the north-west of the province.

Cassiar area map



Source: Columbia Yukon Explorations Inc.

Geology and mineralisation

Storie is a porphyry molybdenum (Mo) deposit associated with the intrusion of the Cassiar Stock, part of a major batholith of granitic to quartz monzonitic rocks in the Canadian Western Cordillera. These types of deposits are typically low-grade but large and amenable to bulk mining methods. Molybdenite (MoS_2) is the principal ore mineral.

The western section of the property is underlain by intrusive rocks of the Cassiar Stock, namely various quartz monzonites and a quartz-feldspar porphyry. The central and eastern sections of the property contain the meta-sedimentary and meta-volcanic country rocks into which the granitic stock was emplaced. Quartzites, shale, slate, dolomites and limestones predominate.

Those formations closest to the intrusions have been subject to extensive contact metamorphism, forming hornfels, skarns and calc-silicate rocks. Silver-bearing lead-zinc veins are abundant in some areas of the contact metamorphic aureole.

Locally, the Storie Deposit is hosted by a series of porphyritic quartz monzonites, with variable proportions of alkali (potassium-rich) feldspar, together with a fine-grained quartz-feldspar porphyry unit. The various rock-types generally grade into one another over short distances, although some contacts are relatively clear-cut; defined by fracture planes, faults or dykes. Pegmatite pods and aplite dykes are common.

The Storie Deposit is cut by north and east-to-northeast trending faults, most notably the Crone Fault which forms a marked topographic feature. There are numerous small-scale faults zones, which are not easily correlated between drill holes. The faulting has locally disrupted mineralisation but has not severely displaced the deposit. Previous geological studies have concluded that the predominant fracture set trends west-southwest and dips northwest, and that molybdenum grade correlates with fracture density.

Molybdenum mineralisation is broadly disseminated but several separate sheets or tabular bodies with higher grades of mineralisation can be delineated, generally striking west-southwest and dipping moderately to the north-northwest. There is no large-scale quartz stockwork or vein system, typical of most porphyry molybdenum deposits.

As presently defined, the deposit on surface covers an area of 650 metres east-to-west by an average of 520 metres north-to-south, and extends to a depth of at least 325 metres. The deposit can be considered open at depth, and to the east, west and north.

Molybdenite is the only economic sulphide mineral present, and occurs as selvages on, or within quartz veinlets and as coatings on fracture surfaces, fine to coarse grained rosettes and disseminated blebs in country rocks. Pyrite may accompany the molybdenite and can also be present in the wall-rocks but the overall content is low, reducing the risk that costly acid rock drainage prevention measures will be required for the waste rock and tailings disposal facilities.

Various wall-rock alteration types have been identified including: kaolinisation, sericitisation, pyritisation, silicification, and chloritisation; but no discernable pattern in alteration has been recognised to date.

Storie Moly Project



Storie Moly drilling



Source: Columbia Yukon Explorations Inc.

Exploration history

Exploration work is recorded in the region from the late 1950s onwards.

A succession of companies undertook limited trenching and drilling work in a series of campaigns from 1964 to 1971 under option agreements with the owners of the property, New Jersey Zinc.

In 1979, Shell Canada entered into an agreement on an extensive 42-claim property, although detailed exploration focused on the Storie Deposit itself.

The 1979 programme included survey grid establishment, geological mapping, geophysical surveys and the diamond drilling of 2,154 metres of core. A second programme in 1980 consisted of: 5,940 metres of diamond drilling in 21 new drill holes and the deepening of three former drill holes; 51 line kilometres of line cutting, induced polarisation (IP) and magnetometer geophysical surveys; geological mapping, and the staking of additional claims.

The geophysical surveys outlined a significant apparent resistivity low and a broad magnetic low over the main zone. Both of these trends continue to the northeast to the intrusive-sediment contact. In 2005, core from the 1979 and 1980 programmes was located and rehabilitated and is now stored near the current core-logging facility.

The drilling between 1964 and 1980 focused on an area approximately 850 metres by 850 metres, with only four holes drilled further to the east. Most of the drill holes were inclined holes aligned on 150 metres spaced lines.

Eveready Resources optioned the property in 1997. Over the following seven years, it undertook sufficient data compilation, sampling and prospecting to take the option to completion, thereby acquiring ownership of the property. In March 2006, Columbia Yukon entered into an option agreement to earn a 100-percent interest in the property from Eveready.

In the second half of 2006, Columbia Yukon completed a twenty-hole diamond drilling programme for a total of 4,953 metres of core. All holes were set up close to Shell Canada, or older, drill holes and orientated with the specific intent of twinning the historical holes for the purposes of checking reported grades and widths of mineralisation.

Overall core recoveries were lower than expected for drilling in these conditions but in a NI 43-101 Technical Report on the Storie Deposit in June 2007, Watts, Griffiths and McOuat (WGM) indicated that correlation between the 2006 and historic drill holes varied from fair to very good. The differences could mostly be explained by incompatible hole orientations, or differences in core recoveries. In summary, WGM concluded that the historic drilling data can reliably be used for resource estimate purposes.

A LIDAR (Light Detection and Ranging) airborne topographic survey was flown over the area to produce more robust topographic base maps and Columbia Yukon has accurately re-surveyed all historic drill-hole collars.

A 76-hole programme was undertaken in 2007, mainly as infill drilling at a spacing of fifty metres but including some step-out holes looking to expand the known limits of mineralisation. Around 23,000 metres of core were recovered, including some large diameter core, which was sent to SGS Lakefield in Vancouver for analysis and metallurgical test work purposes.

Infill holes in the western half of the deposit gave particularly encouraging results and a zone of mineralisation can now be delineated with higher grade than has previously been identified. The best holes from this programme returned intercepts of 220 metres, grading 0.133 percent molybdenum; 216 metres at 0.107 percent molybdenum, including 105 metres at 0.147 percent molybdenum, and 153 metres at 0.10 percent molybdenum, including 105 metres at 0.13 percent molybdenum.

Although we have not reviewed sampling and analytical procedures for the various phases of exploration, there is no reason to suspect that appropriate, industry standard practices have not been followed with regard to logging, handling, sampling and QA/QC data verification.

We believe that Columbia Yukon's exploration strategy to date has been effective and costs have been appropriate to the stage of exploration. Exploration activities on the concession are continuing. The 2008 drill campaign began in May; with 30,000 metres of drilling planned to significantly expand the resource base and underpin future feasibility studies. The exploration budget for 2008 is in excess of C\$6 million.

In an effort to enhance assay turnaround time for 2008, Columbia Yukon has commissioned Loring Labs to locate and independently operate an on-site sample preparation facility at the Cassiar exploration camp. This facility is expected to save considerable time on the final receipt of assay analyses and hence avoid the problems in assay turnaround which have been delaying resource estimation and project development decisions for many junior mining companies in North America.

Resources

In July 2008, Watts, Griffiths and McOuat and Mintec drafted an updated resource estimate for Storie, incorporating the results of the 2007 diamond drilling programme. This estimate was prepared in compliance with the standards required for Canadian National Instrument (NI) 43-101 standards of disclosure.

Using a cutoff grade of 0.03 per cent molybdenum, a bulk density factor of 2.6 tonnes per cubic metre, and based on 125 vertical and inclined drill holes; the Storie deposit has been estimated to contain an Indicated Mineral Resource of 98.34 million tonnes grading 0.064 per cent molybdenum; plus an Inferred Mineral Resource of 30.89 million tonnes grading 0.059 per cent molybdenum.

The geology of the deposit and the controls to mineralisation are sufficiently well understood and reliable to be used in the estimation of a mineral resource. There are some data quality issues with bulk density measurements from the 2006 drilling and the lack of downhole surveying information for the historic drilling prior to 2006, but these have been appropriately addressed in the current resource estimate.

Storie Moly deposit



Source: Columbia Yukon Explorations Inc.

Risked mineable resource assumptions

Reserves		Probability	Tonnes (m)
Proven		90%	0.0
Probable		50%	0.0
Total		0%	0.0
Resources	Conversion	Probability	Tonnes (m)
Measured	80%	90%	0.0
Indicated	85%	50%	84.8
Inferred	80%	35%	25.6
Hypothesised	80%	15%	50.0
Total	83%	37%	160.4
Mineable resource			Tonnes (m)
Mineable resource			132.5
Risked mineable resource			Tonnes (m)
Current classification			49.2
<i>Scenarios for exploration success</i>			
- base case			83.3
- optimistic case			111.3
- pessimistic case			61.5

Notes:

- mineable resource have been estimated as reserves plus the portion of resources that would be expected to convert to reserves considering deposit type and likely grade variability
- risked mineable resource refers to the various classes of resource/reserve weighted by their assumed confidence level

Source: Objective Capital

Exploration potential

It is clear that the Storie property covers terrain that is prospective for economic molybdenum mineralisation, and that the Storie Deposit warrants continued exploration drilling and evaluation. The deposit is presently known to be open to the east, west and north, as well as at depth, and there are untested structures and molybdenum occurrences that merit further investigation, such as the X Fault and M Zone.

The 2007 drilling campaign significantly enhanced the project's exploration potential. In addition to providing sufficient drill density to allow resources to be upgraded to the indicated and/or measured categories, Columbia Yukon has delineated a high-grade zone in the western half of the current deposit footprint. This high-grade zone is open to the west and is an extremely important target for the 2008 drilling campaign.

Substantial increases in resource tonnages and potentially an enhanced resource grade are expected to follow further drilling and revised ore body modelling and estimation. The stripping ratio of any open pit design encompassing this zone should be lower than current projections.

At present, there is a low drill density at depths below 300 metres from surface. The 2007 drilling gave an indication of a new sub-horizontal mineralised band or sheet at depth and this will be targeted as part of the 2008 campaign.

The X Fault is a structure that runs sub-parallel to the Crone Fault and is at the southern limit of current drill coverage. The projected trend of this fault encompasses the M Zone, about one kilometre east of the Storie Deposit. A four-hole diamond drilling programme in 1968 reportedly intersected significant molybdenum mineralisation in one of the holes but available information is conflicting and has not been verified. Scout drilling of this region is warranted.

Project status

Applications would be needed at provincial level for a mining licence and various environmental permits; and at local level for planning permission. The authorities in British Columbia are supportive of mining projects, which can demonstrate environmentally responsible mining with long term economic viability.

There are no immediately obvious social or environmental issues that would unduly delay or prevent successful permitting of a mining operation. There has been a history of mining in the region and Columbia Yukon believes the local population is supportive of their development plans. The company has established good working relationships with the First Nation community, Dease River Indian Band, which has supported permitting applications for exploration programmes.

Columbia Yukon has also been pro-active in undertaking environmental baseline studies and addressing the impact of historic exploration activities. A fourth season of baseline studies has begun and the available database should help to shorten the Environmental Impact Assessment process. At present, there are no known environmental liabilities associated with the concession due to its previous operating history.

Site infrastructure is currently limited to road access. Construction of a future mine will require development of a fresh water supply, sewage treatment, power generation and distribution network, fuel storage, communications facilities and accommodation for operating personnel.

In order to illustrate the potential economics of a future mining operation, we have projected potential production scenarios for Storie, based on the assumption that a mineable resource of 133 million tonnes grading 0.069 percent molybdenum (diluted) is eventually delineated and processed.

Over the life of the mine we have assumed that 195.7 million lbs of molybdenum in concentrate are produced at an average operating cost of around C\$9.6-10.6 per lb for the first five years. Capital costs have been estimated at C\$390 million. We have assumed that production starts in mid-2013 and that by end 2015, grid power replaces diesel generation.

We have developed a projected production plan based on a 20,000 tonnes per day milling rate fed from an open pit mine, with a conventional truck and shovel mining operation. The topography and outcropping nature of the ore body makes the stripping ratio of waste to ore advantageous for an open pit operation. We have assumed a strip ratio of 1.25:1 with initial mining focused on higher-grade mineralisation near surface.

Our scenarios assume the mill circuit will comprise a semi-autogenous grinding (SAG) mill and ball mill circuit designed to crush and grind material for conventional flotation, with regrinding stages to increase the degree of liberation and improve overall molybdenum recovery. We expect that the final concentrate will be shipped offsite, and sold to a third party for roasting.

These projections represent our assumptions for the sole purpose of this research and valuation and do not necessarily reflect in-house plans by Columbia Yukon.

Proforma Storie Moly operation profit and loss

Proforma P&L (C\$m)	Year ending April									
	'11	'12	'13	'14	'15	'16	'17	'18	'19	'20
Gross revenues	0.0	0.0	164.0	285.9	259.1	236.7	217.5	197.5	182.9	169.6
Operating costs	0.0	0.0	64.4	133.6	126.8	120.3	121.2	121.8	123.0	124.3
Operating profit	0.0	0.0	99.6	152.3	132.2	116.4	96.3	75.7	59.9	45.4
Depreciation	0.0	0.0	24.2	41.8	37.7	34.3	31.4	28.4	26.2	24.3
Administrative costs	0.0	0.0	1.8	3.0	3.1	3.1	3.2	3.3	3.4	3.5
EBIT	0.0	0.0	125.6	197.1	173.0	153.8	131.0	107.4	89.5	73.1
<i>Assumptions</i>										
Capital costs (C\$m)	110.0	185.0	95.0	0.0	25.0	0.0	0.0	0.0	0.0	0.0
Tonnes ore processed (millions)	0.0	0.0	3.5	7.3	7.3	7.3	7.3	7.3	7.3	7.3
Average grade (%)			0.105%	0.100%	0.095%	0.090%	0.085%	0.080%	0.075%	0.070%

Other assumptions

Roasting charge C\$0.91/lb; roaster deduction 1.5% loss; transport C\$150/t wet conc; processing costs C\$3/t ; power costs C\$2.35/t

Source: Objective Capital

Key issues

The extent of ground held or optioned to the company, its favourable geological environment and the exploration results to date, all suggest that an economic deposit will be delineated at Storie. As with any exploration project, there remains a risk that despite promising geology and exploration results, mineralisation cannot be delineated in sufficient tonnage and/or grade to make the return from mining economically attractive.

For the purposes of our valuation, we have made various assumptions regarding the tonnages and grades of mineralisation eventually delineated for mining. These assumptions do not conform to a recognised code for the reporting of mineral resources and ore reserves and should not be relied on. The assumptions in our production models involve various risks and uncertainties and there can be no assurance that such assumptions will prove to be accurate; actual results and future events could differ materially from those anticipated.

The timing of the project is important if Columbia Yukon is to take advantage of the recent high prices for molybdenum. The effect of a predicted decline in long-term molybdenum prices has been incorporated into mine planning and economic analysis; but any adverse short-medium term price movements will have a more significant impact on the company's ability to raise finance for its exploration and development activities.

Sufficient funds are in place for at least the next twelve months exploration and corporate expenditure but the company's ability to raise future funds will depend in large part on its share price. As with all junior mining companies with a single core project, Columbia Yukon's share price is highly correlated to the corresponding commodity price.

At present, the lack of new sources of molybdenum concentrate is helping to support prices and demand remains robust. The risk remains, however, that existing suppliers, most notably established copper-molybdenite producers, manage to increase supply, or that the company's competitors complete sufficient new molybdenum or copper-molybdenum projects to depress prices.

Molybdenite (MoS_2) concentrates produced by mines are converted to molybdenum oxide at a relatively small number of roasting facilities around the world. Some of the major miners are integrated producers, but in most cases, concentrates are sold to, or toll-roasted at these facilities.

From 2005-07 there was a shortfall in roasting capacity relative to concentrate supply and the shortfall is expected to continue in the short-to-medium term. The tight global roasting capacity, while helping in part to maintain molybdenum

prices, makes it critical that Columbia Yukon completes long-term off-take agreements for its concentrates.

Columbia Yukon has already begun discussions with potential end-users and a partnership agreement with a third party may allow access to project financing at relatively advantageous rates. The terms of any such agreement may require current estimates of roasting costs to be adjusted. The preliminary indications from metallurgical testwork are that Storie will produce a very clean, coarse grained, primary molybdenum concentrate, which suggests that the product will attract a premium in the market place.

Only preliminary mineral processing or metallurgical testwork has been carried out on mineralisation from the Storie Deposit. The reported mineralogy and textures of the mineralised rock should not prevent economic recoveries being achieved, but projected processing parameters and costs will be subject to change as more detailed testwork becomes available.

Our project scenario assumes that diesel-electric power generation is used initially in order to fast-track the proposed development schedule, before a connection is established to grid power. This adds to both capital and operating costs but enables the project start-up to be pulled forward. Any cost escalation in supplying sufficient diesel fuel for on-site electric power generation and mobile fleet operations will impact negatively on project economics. Conversely, if grid power connection is available earlier in the project this could bring positive economic benefits.

Potential resource estimation problems exist due to relatively low core recoveries in the various phases of drilling prior to 2007. WGM report that the amount of molybdenum lost during historic drilling, if any, has not been determined or accounted for. There is also some uncertainty that the present drilling orientation is the most suitable for accurately determining the grade of the deposit. The results of the 2007 drilling suggest, however, that grade in the deposit may have been underestimated in the earlier phases of drilling; so these issues are not expected to make a significant negative impact on future grade estimates.

More importantly, there is a high grade zone that seems to be continuous through the centre of the deposit. In the 2008 resource estimate, Mintec noted that if this zone can be better defined with further drilling, the block grade smoothing that occurs from the interpolation can be minimised and the grade of the Mineral Resource estimates can be improved.

The C\$ to US\$ exchange rate is important to the project, as the price of molybdenum and some of the major mining equipment is priced in US\$.

Other Properties

Barnes Creek

Barnes Creek is an early stage gold exploration project which covers 26 contiguous mining claims totalling 5,262 hectares, located in southern British Columbia, seventy kilometres east-southeast of Vernon. Columbia Yukon acquired a 100-percent interest in and title to the Barnes Creek property in 2007, having completed the terms of its option agreement with a prospecting syndicate. The optioner has retained a 3-percent net smelter return (NSR) royalty interest.

Columbia Yukon has subsequently entered into an option agreement for White Tiger Mining Corp of Vancouver to acquire a sixty-percent interest in the property. White Tiger has the right to earn its interest by incurring C\$500,000 in exploration expenditures over two years.

Access to the property is by well-maintained logging roads. The property is heavily forested and the topography within the claim area is fairly rugged, with creeks cutting the property and some mountainous terrain with elevations up to 1,925 metres. The climate is continental with mild summer months and moderately cold winters with significant average annual snowfall.

Geology and exploration

The majority of the property is underlain by siliciclastic rocks comprised of grey to black argillites, quartzite, limestones and conglomerates. Minor tuffaceous rocks, small feldspar porphyry lava flows and sheets and a coarse grained porphyritic diorite body are present in places and a granodiorite intrusion is mapped in the southeast of the property. The regional geology in the vicinity is not well understood or documented. Detailed mapping has been hampered by the general lack of outcrop.

The current exploration target is structurally controlled gold and silver hosted by veins and shears in sub-volcanic intrusives and weakly metamorphosed argillites. To date multi-element geochemical surveys have been the most effective tool in delineating drainage basin areas anomalous in gold, silver and arsenic. Follow up exploration has then been focused on target areas.

Prior to Columbia Yukon's involvement the only previous exploration on the property had been reconnaissance geochemical surveys by various companies, organisations and individuals including limited stream sediment sampling. Since 2003, Columbia Yukon has undertaken a number of soil geochemistry surveys with follow up trenching on three grids. On the Barnes Main and Holmes Lake grids several narrow high-grade gold-silver bearing quartz veins were discovered as a result of trenching coincident gold and arsenic soil anomalies. A total of ten drill holes have subsequently been completed on the Barnes Main prospect.



Source: Columbia Yukon Explorations Inc

No resource estimates have been made for the Barnes Creek property and it contributes only its C\$1.3m book value to our valuation model.

Status and key issues

Establishing mineral resources and hence the economic potential of Barnes Creek, with this style of mineralisation and at such an early stage exploration, is likely to be at least three-to-five years away. Columbia Yukon has quite correctly determined not to lose management focus on its core asset at Storie and optioned this property to a third party.

VBE and Barr/1506 Claims, Labrador

Columbia Yukon holds a fifty-percent interest, subject to a 2.5-percent NSR royalty, in the VBE-2 base-metal property located in the Voisey's Bay area of Labrador. Celtic Minerals and Merrex Gold have acquired the right to earn a 100-percent interest in the VBE-2 property by spending C\$1.6 million in exploration over a four-year period. Columbia Yukon holds a fifty-percent interest with CanAlaska on the VBE-1 property.

Columbia Yukon also holds a 100-percent interest in mineral claim properties at Barr/1506 Claims, which it previously staked in Labrador. Limited geophysical surveys have been undertaken but no significant exploration activities are planned.

The Labrador properties do not make any significant contribution to the company's future, and are shown at negligible book values only in our valuation.

Profit and Loss

Year ending April (C\$m)	2007	2008	2009	2010	2011	2012	2013
Revenues	—	—	—	—	—	—	164.0
COGS	—	—	—	—	—	—	(60.7)
Gross profits	—	—	—	—	—	—	103.4
Administrative Costs	(1.0)	(2.5)	(1.2)	(1.2)	(1.2)	(1.2)	(1.2)
EBITDTA	(1.0)	(2.5)	(1.2)	(1.2)	(1.2)	(1.2)	102.2
Depreciation & amortisation	(0.0)	(0.3)	—	—	—	—	(24.2)
Writedowns and Minority interests	(0.8)	—	—	—	—	—	—
EBIT	(1.8)	(2.8)	(1.2)	(1.2)	(1.2)	(1.2)	78.0
Interest	0.1	0.8	0.5	0.1	(3.9)	(13.9)	(19.9)
EBT	(1.7)	(2.0)	(0.7)	(1.1)	(5.1)	(15.1)	58.0
Tax paid	0.9	0.6	0.2	0.3	1.5	4.5	(17.4)
Earnings	(0.8)	(1.4)	(0.5)	(0.8)	(3.6)	(10.6)	40.6
Dividends	—	—	—	—	—	—	—
Retained earnings	(0.8)	(1.4)	(0.5)	(0.8)	(3.6)	(10.6)	40.6

Cashflow statement

Year ending April (C\$m)	2007	2008	2009	2010	2011	2012	2013
EBIT	(1.8)	(2.8)	(1.2)	(1.2)	(1.2)	(1.2)	78.0
Depreciation	0.0	0.3	—	—	—	—	24.2
Stock-based Comp, Writedowns, Tax Recovery	1.2	1.2	0.6	0.6	0.6	0.6	0.6
(Increase) decrease in receivables	(0.1)	(0.2)	—	—	—	—	(24.6)
(Increase) decrease in inventory	0.0	0.0	—	—	—	—	(9.1)
Increase (decrease) in payables	0.0	(0.2)	—	—	—	—	4.9
Net cash from Ops	(0.7)	(1.7)	(0.6)	(0.6)	(0.6)	(0.6)	73.9
Tax paid	—	0.6	0.2	0.3	1.5	4.5	(17.4)
Dividends	—	—	—	—	—	—	—
Net interest recieved (paid)	0.1	0.8	0.5	0.1	(3.9)	(13.9)	(19.9)
New equity	7.7	14.0	10.0	—	50.0	75.0	—
New (deposits) borrowings	—	—	—	—	100.0	150.0	—
Capital expenditure	(2.3)	(8.0)	—	—	(110.0)	(185.0)	(96.3)
Net cash from financing	5.5	7.4	10.7	0.4	37.6	30.6	(133.6)
Net increase (decrease) in cash	4.8	5.7	10.1	(0.2)	37.0	30.0	(59.7)

Balance sheet

Year ending April (C\$m)	2007	2008	2009	2010	2011	2012	2013
Fixed assets at NAV	3.2	10.9	10.9	10.9	120.9	305.9	378.0
Cash	5.0	10.7	20.8	20.6	57.7	87.7	28.0
Receivables	0.1	0.3	0.3	0.3	0.3	0.3	24.9
Inventory	0.0	0.0	0.0	0.0	0.0	0.0	9.1
Less Payables	(0.3)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(4.9)
Net current assets	4.8	10.9	21.0	20.9	57.9	87.9	57.0
Less loans	—	—	—	—	(100.0)	(250.0)	(250.0)
Capital employed	8.0	21.8	31.9	31.8	78.8	143.8	185.0
<i>Represented by</i>							
Shares in issue	20.2	35.4	46.0	46.6	97.2	172.8	173.4
Add retained profit							
Prior periods	(11.4)	(12.1)	(13.5)	(14.0)	(14.8)	(18.4)	(29.0)
This period	(0.8)	(1.4)	(0.5)	(0.8)	(3.6)	(10.6)	40.6
Shareholders' funds	8.0	21.8	32.0	31.8	78.8	143.8	185.0

Source: Objective Capital

Appendix: Glossary

argillite: a fine grained sedimentary rock which can range from silt through mudstone and shale to clay. Many argillites also contain very fine particles of quartz, carbonate or carbon and pyrite.

batholith: a very large intrusive mass of igneous rock, usually composed of multiple intrusions of slightly different ages and/or compositions.

calc-silicates: a contact (thermally) metamorphic rock formed from impure limestones.

granite: a coarse-grained igneous rock rich in quartz and feldspar minerals. It is a felsic rock in composition, i.e., contains a high proportion of quartz/silica.

mafic: igneous rocks with compositions showing little or no quartz and dominated by ferro-magnesian (Fe-Mg rich) minerals.

metamorphic: rocks changed by temperature and pressure within the Earth's crust.

molybdenite: a sulphide mineral (MoS_2) which is the main ore mineral of molybdenum.

monzanite: a medium to coarse-grained igneous rock with equal proportions of plagioclase and alkali feldspar minerals. Quartz monzanites contain free quartz, more mafic monzanites, little or no quartz.

NI 43-101: Canadian National Instrument 43-101, a regulatory standard for reporting details of exploration results and resource estimates for mineral projects.

plutonic: an igneous rock emplaced at depth within the crust (rather than erupted as a volcanic igneous rock).

porphyry: a general term for igneous rocks containing relatively large crystals within a finer grained groundmass; commonly found as individual stocks within a batholith or igneous complex.

QA/QC: Quality Assurance/Quality Control; a programme of checks to determine the precision and accuracy of sampling and analytical exploration data.

specific gravity: the calculated density of minerals and rocks; often used to determine bulk density, a factor used to calculate tonnages of ore and waste from the volumes modelled during the estimation process.

stock: an individual mass of igneous rock intruded as a separate body, often circular or elliptical in cross-section.

stockwork: a large-scale mass of veins too thin and closely spaced to be worked individually; the veins are usually of several intersecting orientations.

Douglas L. Mason – Chairman

Douglas Mason is president and chief executive officer of Waterfront Capital Corp and serves as president and a director of Criterion Capital Corp, his wholly owned private investment and financial consulting company. Mr Mason was formerly the president and chief executive officer of Clearly Canadian Beverage Corp.

Ronald A. Coombes – President

Ronald Coombes is a businessman who founded International Bethlehem Mining Corp in 1995. He is an experienced entrepreneur and fundraiser who has been involved in mineral exploration and junior exploration company management for the past ten years. Mr Coombes also serves as president of International Bethlehem Mining Corp and Black Panther Mining Corp.

Sead Hamzagic, CGA – Chief Financial Officer and Director

Sead Hamzagic has over ten years of public accounting practice experience and thirteen years of experience in financial management matters. Mr Hamzagic has held a number of senior management positions in a variety of businesses and industries. Most recently, he was the vice president of finance for a large group of privately held companies involved in property development and management. Mr Hamzagic is a member in good standing with the Certified General Accountants Association of British Columbia.

John Kowalchuk, BSc, PGeo – Director

John Kowalchuk, a professional geoscientist, is a member of the Association of Professional Engineers and Geoscientists of British Columbia. He has over 34 years of geological experience in the development and management of exploration projects. He has been serving as a director and officer of several junior mining companies. Mr Kowalchuk has been involved in the discovery and staking of several significant deposits, including the Kerr porphyry copper-gold deposit, the Howard's Pass stratiform zinc-lead deposit, the barium-lead-zinc and silver deposit at Driftpile Creek and the Cleo tungsten property in Yukon.

Bruce E. Morley, LLB, BComm – Director

Bruce Morley has extensive experience in assisting public companies with legal and business matters. He is currently a director of Waterfront Capital Corp, Columbia Yukon Explorations Inc and Black Panther Mining Corp. Mr Morley has been a practicing lawyer and a member in good standing with the Law Society of British Columbia since 1981. Mr Morley has a degree in commerce, with specialties in finance and real estate.

Benjamin Ainsworth, MA, PEng – Director

Benjamin Ainsworth is a senior geologist and mining consultant who has been involved in the mining industry for over 35 years. He obtained an honours degree in geology from Oxford University in England in 1963. He joined Placer Development in 1965 and served as a senior geologist, chief geochemist, exploration manager for Eastern Canada, exploration manager for Chile. He also served as president of Placer Chile, in South America. Throughout the 1970's, Mr Ainsworth was involved in the design, budgeting and implementation of exploration programmes that included large and small drill programmes, geophysical surveys, geological mapping, geochemical surveys, and a full range of project evaluation studies. He is a registered Professional Engineer in British Columbia and is a Canadian citizen by naturalisation.

Richard Fischer – Vice-president: Business and exploration development

Richard Fischer is the founder of Eveready Resources Corporation, a private mining exploration company currently active in the Cassiar area of British Columbia. He has also been active in exploration in other areas, including base metals projects near Keno and Swift River in Yukon. Mr Fischer has been involved in several public junior mining companies over the last fifteen years in various management/exploration capacities. He is currently working with a major oil and gas company located in Calgary, Alberta.

Henry Ewanchuk, P.Eng – Advisor

Henry Ewanchuk has a long and successful career in exploration and mine development in Canada. He has held numerous executive positions with public exploration and mining companies including Imperial Metals Corporation, Mascot Gold Mines Limited and E&B Explorations Inc.

Ed Yurkowski, P.Eng – Advisor

Ed Yurkowski is president of Procon Mining and Tunneling Ltd., a Vancouver based full service mining contractor with operations in North America and other continents. He also serves on the Board of Directors of Imperial Metals Corporation.

We are pleased to bring you this report on **Columbia Yukon Explorations Inc.**



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Gabriel Didham, CFA
Objective Capital

Will Purcell

Will has been involved in the resource sector for 30 years in a variety of roles. Since the late 1990s, he has been active in assessed mineral resource investment projects. Will has a B. Math degree from the University of Waterloo in Ontario.

Paul Wheeler, BSc. ARSM

Paul is a mining geologist with over 18 years experience evaluating ore deposits. He has worked on mines and projects in West Africa, Europe and the former Soviet Union; and lectured at Camborne School of Mines.

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