

An aerial photograph of a mining camp situated in a mountainous region. The camp features several white tents, a large white building, and numerous stacks of lumber. A yellow excavator is visible near the lumber stacks. The background shows a dense forest of evergreen trees and a range of mountains under a clear blue sky.

ANNUAL REPORT 2009

YUKON MINERALS ADVISORY BOARD

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Annual Report 2009

Cover photo: The White Gold Project is the key asset of Underworld Resources, a junior exploration company focused in Canada. The Project is located in the Tintina gold belt, approximately 95 km south of Dawson City, YT.

Photos courtesy of the Government of Yukon and various mineral exploration and development companies.

Yukon Minerals Advisory Board Members 2009

Chair	Stephen Quin	Capstone Mining Corporation Suite 900 - 999 West Hastings Street Vancouver, BC V6C 2W2 (604) 684-8894 • squin@capstonemining.com
Members	Gerald G. Carlson	Copper Ridge Explorations Inc. Suite 500 - 625 Howe Street Vancouver, BC V6C 2T6 (604) 688-0833 • gcarlson@copper-ridge.com
	Dale Corman	Western Copper Corporation 2050 - 1111 West Georgia Street Vancouver, BC V6E 4M3 (604) 684-9497 • dcorman@westerncoppercorp.com
	Al Doherty	Aurum Geological Consultants Inc. 106A Granite Road Whitehorse, Yukon Y1A 2V9 (867) 667-4168 • aurum@yknet.ca
	Darin Isaac	Selkirk First Nation PO Box 40 Pelly Crossing, Yukon Y0B 1P0 (867) 537-3331 • isaacd@selkirkfn.com
	Robert L. McIntyre	Alexco Resource Corporation 1150 - 200 Granville Street Vancouver, BC V6C 1S4 (604) 633-4888 • rmcintyre@alexcoresource.com
	Harlan Meade	Selwyn Resources 700 - 509 Richards Street Vancouver, BC V6B 2Z6 (604) 801-7240 • hmeade@selwynresources.com
	Clynt Nauman	Alexco Resource Corporation Suite 1920 - 200 Granville Street Vancouver, BC V6C 1S4 (604) 633-4888 • crnauman@alexcoresource.com
	Britt Reid	North American Tungsten 1400 - 1188 West Georgia Street Vancouver, BC V6E 4A2 (604) 684-5300 • breid@natungsten.com
	Jon Rudolph	Golden Hill Ventures/Ross Mining 30 Laberge Road Whitehorse, Yukon Y1A 5Y9 (867) 668-7807 • jrudolph@northwestel.net

Table of Contents

Foreword	1
Executive Summary and Key Recommendations for 2009	2
Report Card on Key 2008 Recommendations	3
Appointments to YESAB	7
Regulatory Timelines	8
YESAA Reviews	9
Land Use Planning Process	12
Resource Revenue Sharing	14
Contracting	15
Energy Strategy	16
Communication and Consultation	18
Acknowledgements	20
Glossary of Terms	21
Appendix A: Order in Council Creating YMAB	22
Terms of Reference of YMAB	23

Executive Summary and Key Recommendations for 2009

The 2009 Annual Report of the Yukon Minerals Advisory Board follows relatively closely on the heels of its 2008 report. Although YMAB communicated with the Minister throughout 2009 to discuss issues, concerns and provide advice, the actual publication of the written report itself became delayed due to a variety of factors. With the publication of the 2009 report early in 2010, YMAB is confident that it now has a more workable system in place to produce its annual reports in a timely fashion. With that in mind, YMAB notes that there are a number of similar themes featured in both the 2008 and 2009 reports. Nevertheless, there were a number of key developments in Yukon in the latter part of 2009 and this report has been significantly updated and contains new information, issues and items for the attention of the Yukon government and others.

YMAB'S KEY RECOMMENDATIONS FOR 2009 ARE:

- 1) A significant concern for YMAB relates to Yukon Environmental and Socio-economic Assessment Board (YESAB) timelines and the two reviews (five-year review of *Yukon Environmental and Socio-economic Assessment Act* (YESAA) and YESAB Designated Office (DO) rules review), which both recommend extensions and/or more complex processes for the mining sector. YMAB recommends Yukon government (YG) ensure certainty and reduced regulatory risk remain priorities for the YESAA process, and options to reduce duplication, improve timeframes and reduce risk, such as surgical amendments to the *Waters Act*, be considered.
- 2) Land use planning (LUP) continues to be a significant concern, even more so with the release in late 2009 of the Recommended Peel Watershed Regional Land Use Plan (RPWRLUP). If adopted unchanged, the recommended plan would result in considerable land alienation, more complexity and increased hurdles for mining companies interested in responsible exploration and development in Yukon. YMAB strongly recommends YG work with the other stakeholders involved in the land use planning process to significantly amend the RPWRLUP or, failing that, reject it. YMAB also strongly believes that YG should better constitute planning commissions, and provide explicitly clear guidelines in respect of acceptable outcomes in accordance with the Umbrella Final Agreement (UFA).
- 3) YMAB continues to encourage the development and construction of the necessary infrastructure to support Yukon's growing mining industry. Although there has been progress, this area requires increased emphasis, with particular emphasis on energy infrastructure.
- 4) First Nation capacity-building must be a key endeavour for YG and Canada, as also noted in the table of key 2008 recommendations below. YG should assist in this capacity-building to ensure Yukon First Nations are in a position to manage and benefit from the various projects that are under development now and will continue to arise in the future.
- 5) YMAB encourages YG and First Nations to engage Canada in discussions with the objective of obtaining a more equitable arrangement from the fiscal benefits resulting from natural resource development, including mining, for both YG and First Nations.
- 6) YMAB believes it could be more considered and effective in its advice to the Minister and YG were it better consulted in respect of matters affecting the mining industry.



Howards Pass

Report Card on Key 2008 Recommendations

Priority Area	YMAB Recommendation 2008	Status
<p>YESAA process & timelines</p>	<p>Industry should be extensively consulted and should be allowed to fully participate in the YESAA review processes; YG should address industry issues and concerns, both with the existing processes and the ongoing five-year and Designated Office rules review.</p> <p>Capacity-building should be done in YESAB Designated Offices and at the Executive Committee level to assist in handling the increasing number of projects in (or expected to enter) the YESAA process.</p> <p>There is a need to ensure YESAA remains a review and not a regulatory process.</p>	<p>Despite being a prime user of YESAA, the mining industry was inadequately consulted in both review processes. Very few companies were consulted and even some of the major players in the Yukon mining sector were excluded.</p> <p>Rather than the capacity-building efforts that are needed, the DO rules review has recognized the capacity issue by suggesting the wrong solution to it, i.e. lengthening time lines.</p> <p>YMAB's concerns in this area remain. YESAB must continue to be diligent to avoid crossing over into a regulatory process.</p>
<p>Land use planning</p>	<p>Land Use Planning (LUP) Commissions should be better directed on their roles and responsibilities to ensure an appropriate and acceptable balance between environmental protection and economic development.</p> <p>YG needs to emphasize to LUP Commissions that land use plans are intended to manage and mitigate land use conflicts rather than prescribe zoning and land alienation.</p>	<p>This remains a major concern for YMAB. The recommended plan for the Peel watershed makes no attempt to balance development and protection. It confirms YMAB's worst fears regarding Yukon's land use planning process. Rather than the capacity-building efforts that are needed, the DO rules review has recognized the capacity issue by suggesting the wrong solution to it, i.e. lengthening time lines.</p> <p>YMAB's concerns in this area remain. YESAB must continue to be diligent to avoid crossing over into a regulatory process.</p>

Priority Area	YMAB Recommendation 2008	Status
<p>Land use planning — <i>continued</i></p>	<p>The whole land use planning process needs a careful review by YG, Canada and First Nations to ensure that there are no negative consequences to Yukon and its mining industry. The potential for extensive land alienation, affecting exploration, projects and access, should be addressed.</p>	<p>After the release of the recommended Peel watershed plan, with its recommendation for extensive land alienation, the need for the review suggested by YMAB is more important than ever. The final recommended plan needs substantial amendment or rejection.</p>
<p>Short-term fiscal stimulus (to assist the mining industry during the economic down cycle)</p>	<p>Infrastructure spending on power, roads, bridges, pipelines, etc., in particular the connection of Whitehorse to Mayo grids, power generation capacity enhancements and Mayo dam expansion to provide Yukon with infrastructure to support continued economic development, while providing stimulus to the local economy.</p> <p>Advancing abandoned mine site reclamation to address environmental issues and to provide employment and opportunities to local businesses, First Nations and Yukoners during the economic downturn.</p> <p>Continued support for training for Yukoners, and especially First Nations, to build a trained workforce for the mining sector.</p> <p>Continued funding of Yukon Mining Incentives Program (YMIP), with some modest recommended adjustments.</p>	<p>YMAB notes some good progress in this area, including the connection of the Whitehorse to Mayo grids, the Mayo Hydro Enhancement Project and the securing of federal funding for the project. YG should continue to look for opportunities for infrastructure enhancement.</p> <p>Progress in this area has been too slow. YG should continue to pressure Canada to advance the reclamation of these sites.</p> <p>YMAB commends YG for its initial funding of the Yukon Mine Training Association (YMTA), which has been widely-recognized for its successful development of training for First Nations and others. Continued support from YG is essential.</p> <p>YMAB commends YG for expanding the scope and funding of YMIP, which continues to play an important role in new discoveries. YG is encouraged to continue this support.</p>

Priority Area	YMAB Recommendation 2008	Status
<p>Longer-term planning & stimulus to prepare the mining industry for developments in the next economic cycle</p>	<p>Infrastructure – power, highways and ports to support mining development, including a regulatory regime that permits private power projects.</p> <p>Training – especially for First Nations people.</p> <p>Fiscal incentives for new mines – In order to stimulate building of new mines, YG should look to introduce fiscal incentives in the capital recovery period for new mines or during major expansions of existing mines.</p>	<p>YMAB recognizes some progress (Mayo Hydro Enhancement Project; South Canol Road upgrade feasibility study; increased Resource Access Road Program (RARP) investment in resource access roads; upgrades to Robert Campbell Highway; YG commitment to upgrade Nordenskiold Bridge) but encourages continued emphasis in this area. For example, progress should be expedited on the Robert Campbell Highway and the Carmacks bypass.</p> <p>See comment above on YMTA. Also, YMAB notes that building trades capacity in Yukon remains a long-term objective.</p> <p>This should be a priority for YG in 2010 and beyond. YMAB recognizes such changes likely need approval from Canada.</p>
<p>First Nations</p>	<p>YG and First Nations should engage Canada in discussions with the objective of obtaining a more equitable arrangement from the fiscal benefits resulting from natural resource development, including mining, for both YG and First Nations.</p> <p>YG should endeavour to facilitate capacity-building within First Nations to assist them to participate in project reviews, consultation and operation of mining projects at all levels.</p> <p>Yukon First Nations which have not settled land claims should be encouraged to complete land claim agreements.</p>	<p>This should be a priority for YG in 2010.</p> <p>YMAB is pleased to see progress in funding capacity-building, but YG needs to do more, as the burden is sometimes falling on industry.</p> <p>YG should continue to work with Canada and the unsettled First Nations to reach agreement.</p>

Priority Area	YMAB Recommendation 2008	Status
<p>Sustainability</p>	<p>YG should accommodate the use of reclamation security trusts to improve funding and functioning of project reclamation obligations.</p> <p>Continued emphasis should be placed on training to build the work force needed for a vibrant and sustainable mining industry in Yukon.</p> <p>Continued support is necessary for the Northern Safety Network to sustain high standards of safety in the workplace to ensure workers are able to go home to their families safe and well.</p> <p>Governments should control proliferation of regulations, avoiding unnecessary and duplicative regulations.</p> <p>YG should continue funding of geoscience to ensure a long-term, viable mining industry.</p> <p>YG should consolidate all parts of Energy, Mines and Resources (EMR) in one building to improve the effectiveness, accessibility and usefulness of the department while providing an icon for Yukon's resource-based economy, as it has done for tourism.</p>	<p>No action taken during 2009. Progress needed in 2010.</p> <p>See comments above on YMTA and the importance of building trades capacity over the long term. YMAB also notes a related sustainability issue (a shortage of reasonably-priced housing and land for housing, in both Whitehorse and other communities) which is limiting re-location of mining sector workers to Yukon.</p> <p>YG is providing the necessary support, which should be maintained.</p> <p>Continued vigilance is required from YG in this area.</p> <p>YMAB commends YG for its continued funding of the Yukon Geological Survey (YGS), which remains one of the better geoscience centres in Canada.</p> <p>YMAB encourages YG to take early action in this area.</p>

Appointments to YESAB

The implementation of the *Yukon Environmental and Socio-economic Assessment Act* (YESAA) represents a turning point in Yukon's history. It has resulted in a dramatic improvement in the regulatory environment and investment attractiveness of the territory relative to its past regulatory regime and to some other jurisdictions in Canada.

The Yukon government and the Yukon Environmental and Socio-economic Assessment Board (YESAB) are to be commended for the progress achieved in providing Yukon with an assessment and regulatory system that works. The seven members of YESAB have played and will continue to play a crucial role in the way that YESAA is implemented and administered.

With this in mind, YMAB looks with some concern toward June 7, 2010, when the terms of five of the seven members of YESAB will expire and new appointments will be made. The five members whose terms will expire in June include the Chair, the other two members of YESAB's Executive Committee and two other board members who have been with the Board since its formation. YMAB has several concerns with the way these events may unfold.

Firstly, the departure of five YESAB members all at once will result in a serious loss of knowledge, experience, expertise and continuity in Yukon's assessment regime. If five new YESAB members are appointed at that time, the learning curve for these members will be steep. With only two experienced YESAB members remaining, there is a strong likelihood that the important work of YESAB may be subject to delays and inefficiencies, as the new members adjust to their roles, as well as the risk that, with a majority of new members, there may be changes in direction or emphasis by YESAB that could impact the effectiveness and progress made to date.

YMAB sees several ways to reduce the possibility of such delays and inefficiencies. As the federal and Yukon governments and the Council of Yukon First Nations (CYFN) consider new appointments to YESAB, we would suggest that some of the five existing members whose terms will expire be re-appointed to YESAB in June 2010 for a one- or two-year term, so that they may help to provide continuity to YESAB operations. In addition, to prevent the possibility of such wholesale change in YESAB membership in the future, YMAB suggests that staggered terms be considered. YESAA requires that YESAB members be appointed for a term "not exceeding three years"; if some members were appointed for terms of one or two years, it would stagger the expiry dates in a way that would assist YESAB in maintaining continuity.

Our second concern relates to the timeliness of the upcoming appointments. YMAB emphasizes that the new appointments should be made early enough to ensure that files being dealt with next year are not delayed by the transition to a new YESAB membership. Nominees should also be brought up to speed on active files during the lead-up to their official starting date.

Our third concern focuses on the characteristics of the new YESAB members who will be appointed. In general, YMAB has been pleased with the quality of the YESAB members who have served Yukon to date. With at least some change set to occur next June, YMAB stresses that the new appointees should have technical expertise and experience and in particular we note the lack, to date, of any YESAB member with a background in hard rock mining. Hard rock exploration and mining is a significant contributor to the Yukon economy and is one of YESAB's main client groups. A YESAB member with a background in this area would serve all Yukoners well and would help ensure that YESAB has the capacity and capability to ensure requests made of industry are reasonable and required.



Keno Hill

The new appointees should be representative of industry in general (with at least one appointee with hard rock mining experience), persons with regulatory experience and First Nations. The majority should reside in Yukon and all should be committed to diligently carrying out their role on YESAB.

YMAB Recommendations
<ol style="list-style-type: none">1. As the terms of five existing members of YESAB expire in June 2010, YG, CYFN and the federal government should re-appoint several existing members of YESAB to ensure that the Yukon environmental and socio-economic assessment system retains continuity and continues to benefit from their knowledge, expertise and experience. In addition, new appointments to YESAB should be for a variety of terms (1-year, 2-year, 3-year) to prevent such a significant turnover in YESAB membership in a particular year.2. Appointments to replace the YESAB members whose terms expire in June 2010 should be made in a timely manner to ensure no delays occur as a result of the transition.3. The new members of YESAB should have technical expertise and experience, and should represent industry (with at least one with hard rock mining experience), persons with regulatory experience and First Nations. The majority of YESAB should reside in Yukon and all should be committed to their role on YESAB.

Regulatory Timelines

YMAB is encouraged that Yukon has finally reached a point at which the pace of legislative change has slowed, resulting in increased legislative clarity and certainty. Some examples of these recent legislative achievements are the implementation of the *Yukon Environmental and Socio-economic Assessment Act*, as well as amendments to the *Miners Lien Act* and *Quartz Mining Act (QMA)*.

With this legislation now in place for the foreseeable future, the priority for Yukon should be to optimize the performance of the bodies which carry out their work under the auspices of these and other relevant laws. There is a critical need for increased coordination between the various bodies in order to reduce overlap and duplication, and maintain and improve Yukon's regulatory efficiencies and investment attractiveness.

In particular, interactions between the Yukon Environmental and Socio-economic Assessment Board (YESAB) and the Yukon Water Board (YWB) need to be improved. Currently, YMAB notes a tremendous amount of duplication occurring in this area. In YMAB's view, the Yukon Water Board should be encouraged to assess its mandate under the *Waters Act* in light of the relatively new roles and responsibilities of YESAB, to ensure that YWB is not inadvertently carrying out work that is also being done by YESAB, or vice versa. YWB's key concerns should be with water use and disposal. Other issues of environmental and socio-economic assessment are very clearly in the realm of YESAB. Similarly, as YMAB has recommended in past reports, YESAB should ensure that its assessment system remains a review and not a second regulatory process.

YMAB would like to see the Yukon Water Board (YWB) find new ways to work together with YESAB to increase efficiencies. For example, YWB interprets its mandate in such a way that it is unable to engage in reviews of quartz mining license applications until the YESAB process is complete. There is virtually no communication between YWB and YESAB during the YESAB process. This extends timelines significantly and the conditions imposed by the two processes may vary. YMAB suggests that efficiencies could be achieved, without diminishing the quality of either process, by having the water licensing process take place concurrently with the YESAB assessment. Better coordination between the two bodies is required to avoid duplication of effort. Further, YMAB recommends YG consider surgical amendments to the Yukon *Waters Act* to eliminate duplicative processes and improve coordination with the YESAA review processes.

An example of a successful change in approach is that Mineral Resources staff in Yukon Energy, Mines and Resources now begin their work much earlier, proceeding concurrently with YESAB, and reducing timelines for proponents.

Discussions on this approach for the YWB have taken place in the past and we encourage YWB to pursue this further with a view to implementing improvements as soon as possible.

YMAB Recommendations

1. YG, YESAB and YWB should work together to optimize coordination and interactions between their assessment and regulatory processes, with a view to improving efficiencies and shortening time lines for proponents.
2. YG should consider surgical amendments to the Yukon *Waters Act* to eliminate duplication in processes and improve coordination with the YESAA review processes.

YESAA Reviews

FIVE-YEAR REVIEW OF YESAA

YMAB continues to see significant improvement in regulatory efficiency and effectiveness since the implementation of the *Yukon Environmental and Socio-economic Assessment Act* (YESAA). Any significant outstanding concerns are in respect of the scope and timeliness of YESAB's functioning. YESAA has turned one of the most challenging regulatory environments in Canada into one of the more attractive, with an accompanying dramatic improvement in investment attractiveness. This is evidenced by high rankings for regulatory competitiveness in independent surveys and in the significantly-increased investment in Yukon's mining industry, even during the very challenging economic times over the past 12 to 18 months.

With these positive developments in mind, YMAB is discouraged to see the directions currently being proposed in the draft Observations and Conclusions Report issued by SENES Consultants in July 2009, as part of the five-year review of YESAA.

YMAB and the mining industry acknowledge that the five-year review process is mandated under the YESAA legislation, but also point out that the review was not driven by a pressing need for change. In our view, for a new process that is only a few years old, the YESAA system is working relatively effectively. For this reason, any amendments as a result of the review should be in the category of "fine-tuning" rather than radical change.

Implementing the changes that are being proposed in the SENES report would be a backward step and would risk substantially extending timelines, introducing increased uncertainty into the assessment process and decreasing the investment attractiveness of the Yukon mining industry. Yukon requires a competitive assessment and regulatory regime to attract investment and industry to the territory. Changes to the regime should only be made if they are essential and if they will lead to an improvement in regulatory certainty, effectiveness and timeliness.

Our concerns with the SENES draft report include proposed changes which echo the unfortunate realities of the Northwest Territories and Nunavut, which are a reversion to the uncertain and extended processes that used to stifle development in Yukon, a trend only reversed with the introduction of YESAA. In addition, the SENES report completely overlooks the great potential for improved efficiencies through the establishment and use of Standard Mitigative Measures for many routine activities.



Carmacks Copper

YMAB is also disappointed to note that the mining industry, which is the single largest user and client of YESAB and the largest economic contributor to the Yukon economy, was not adequately consulted in the SENES review. Even key participants in the Yukon mining sector, including most of the companies represented by members of YMAB, were not contacted during the consultation period.

The draft Observations and Conclusions Report includes a table that lists 156 groups which were contacted and/or included in a meeting and/or provided written submissions. Of these 156, only three of those initially contacted by SENES were mining companies (Cash Minerals, Western Copper and North American Tungsten) and another three were mining organizations (Yukon Chamber of Mines, Klondike Placer Miners' Association (KPMA) and Yukon Prospectors' Association (YPA)). These six contacts comprise only four per cent of the total number contacted. In addition, the table shows a total of 71 written submissions, only six of which were from companies which work in mining and an additional three submissions from mining organizations. These nine submissions comprise only 13 per cent of the total number of written submissions.

These low percentages contrast sharply with the high percentages of mining-related assessments conducted by YESAB since YESAA came into effect. A total of 968 Designated Office evaluations had been completed or were underway by mid-December 2009, with 331 (or 34 per cent) related to mining. Similarly, of the four Executive Committee screenings completed or underway by mid-December 2009, two (or 50 per cent) were mining-related.

A much stronger effort should have been made to directly contact and consult with mining companies during the SENES review, because the mining sector is such a large client group for YESAB and represents the majority of economic activity assessed by YESAB.

YMAB Recommendations

1. YESAA is working relatively well, with no major flaws or issues that need to be addressed through legislative change. Although the five-year review is being carried out as mandated by the YESAA legislation, there is no pressing reason to make any significant changes to YESAA at this time.
2. Having reviewed the SENES draft document, YMAB recommends that no legislative amendments be brought forward as a result of this report unless they can be demonstrated to improve the timeliness and effectiveness of the current process. However, if amendments are proposed, YMAB recommends that government ensure that each amendment is individually shared with industry, as it deals with the SENES recommendations, with adequate time and opportunity given for consultation.



Freegold Mountain — Northern Freegold

DESIGNATED OFFICE RULES REVIEW

The positive impact of the implementation of YESAA in Yukon has already been noted in this report. Yukon currently has a relatively effective, efficient and timely regulatory environment. Given this relative success, changes to the Designated Office (DO) Rules should be approached with great caution in order to avoid potentially undoing the recent improvements to Yukon's regulatory climate. Changes should only be made if they are absolutely and clearly essential and if they will lead to improvements in regulatory certainty, effectiveness and timeliness.

In YMAB's view, some of the proposals in the current DO review will significantly extend timelines. This is most certainly not required for reviews of "normal" DO projects, but may be worth considering for larger-scale DO projects that approach but do not reach the threshold for an Executive Committee review, such as a small mine. In this case, clear thresholds should be set out in the DO Rules, indicating at what point a DO project exceeds "normal" size or complexity. This would ensure that certainty of review timelines is maintained for typical DO projects.

It would be a serious mistake, with strong negative economic implications, if the time for review of a typical small exploration program is increased, as the timelines for planning and execution of exploration programs is often short. If companies are delayed until the following season, the likelihood is increased that they will take their exploration dollars elsewhere.

In particular:

1. The proposed 21-day extension for writing a recommendation or referral should not be implemented for normal DO projects. For larger, more complex projects, an extension of 21 days should be possible, but only with clear thresholds and requirements before such an extension can be implemented.
2. The proposal for two 'information request' and 'seeking views and information' periods should be rejected outright for any project at the DO level, as it risks considerably extending timelines into a "never-ending loop" of information requests.
3. The proposal for an extended adequacy review period should only be applicable to larger, more complex projects, again with clear thresholds and requirements for designation of such projects.
4. The proposal to create sector-specific forms to replace YESAB Form 1 would be a positive step. YMAB encourages this move, but cautions that representatives of the various industry sectors should be involved in the preparation of such forms for their sector, to ensure their appropriateness and applicability.
5. The proposal to merge the location review, completeness review and the preparation of public notice and publication into a single adequacy review period is logical and should simplify and expedite the process. YMAB encourages YESAB to make this change.

A second key concern in regard to the DO Rules Review is the failure of YESAB to properly notify and consult industry of the review and give companies adequate time to provide input. Notification of the review was not provided to the Yukon Chamber of Mines (or, in effect, to many mining and exploration companies) until the deadline was nearly passed. This was acknowledged by YESAB and YMAB notes that additional time was subsequently provided to the Yukon Chamber of Mines to provide a submission.

However, this additional time was not provided to individuals and mining and exploration companies, despite the poor advertising of the review process. This has very likely resulted in fewer submissions from industry than might otherwise have occurred.

YMAB Recommendations

1. YESAB should approach changes to the DO Rules with great caution, implementing changes only if they are essential and will lead to improvements in regulatory certainty, effectiveness and timeliness.
2. Proposals which will extend timelines should only be implemented for projects that are larger and more complex and which approach but do not meet the requirements for an Executive Committee review. In this case, DO Rules should clearly set out at what point a DO project exceeds "normal" size or complexity.

Land Use Planning Process

YMAB fully supports efforts to reduce or avoid, to the extent reasonably and economically prudent, land use conflicts. It also supports the land use planning provisions of land claim agreements. In addition, where disturbances to the environment are deemed acceptable, YMAB fully supports appropriate environmental assessment, regulation, monitoring, bonding and post-closure reclamation.

However, with the release in December 2009 of the Recommended Peel Watershed Regional Land Use Plan (RPWRLUP), YMAB notes, once again, that the direction being taken by land use planning in Yukon has great potential to negatively affect the investment attractiveness and economic wellbeing of the territory through alienation of considerable portions of Yukon from exploration and mining, as well as removing key access routes to areas open to mining (which, in effect, alienate these areas from mining as well). The RPWRLUP recommends a ban on mining in 80.6 percent of the watershed, an even larger percentage than the 59 percent contemplated in the Draft Peel Watershed Land Use Plan (DPWLUP), and an effective ban over 97.2% when restrictions on essential access is factored in. This is a significant issue for many mining and exploration companies, in particular those with established claims in the watershed. At the end of 2009, there were 8,953 active mineral claims, in total, within the boundaries of the Peel watershed. The RPWRLUP also fails to allow for potential future hydroelectric generating sites, electricity transmission routes, potential oil and gas pipelines, and other considerations essential to the economic wellbeing of Yukon.

As noted in the 2008 YMAB Annual Report, land use planning should work to define principles and processes to share natural resources within a region in a sustainable manner. The purpose of such plans should be to mitigate potential land use conflicts, rather than prescribing zoning and land alienation. Considerations should include protection of the natural environment (including flora, fish and wildlife), the wellbeing of First Nations and other Yukon residents, and sustainable economic development. The actual assessment of specific projects or activities should be conducted through established regulatory and governmental processes including, but not limited to, those defined in the *Yukon Environmental and Socio-economic Assessment Act* (YESAA).



Andrew —Overland Resources

The definition of sustainable development (as set out by the United Nations) clearly includes the extraction of resources; sustainable development must equitably meet both development and environmental needs. It is unfortunate that land use planning, such as that being recommended for the Peel Watershed, is heavily biased toward outright protection, rather than balancing economic development and environment in a truly sustainable manner. This protectionist approach risks jeopardizing the economic future of Yukon for little gain, since very little of Yukon would be disturbed by mining activities in any case; economic deposits that make it all the way to a producing mine are rare and have very small footprints.

Those coordinating land use planning for Yukon should re-examine the mandates for land use planning commissions and provide adequate direction as to the most appropriate approach for Yukon. Efforts should re-focus on fostering a cooperative approach to managing and sharing Yukon's resources for the benefit of all, with appropriate checks and balances, combined with appropriate review under YESAA and subsequent oversight and monitoring thereafter.

If land use planning in Yukon were to continue along the direction set out in the RPWRLUP, it would have substantial negative impact on developments throughout Yukon. This is because the direction currently taken in the document threatens to set a benchmark for the work of future land use planning commissions in other parts of Yukon, which may take the approach of large-scale preservation. This has the potential to evolve into a de facto protected areas strategy and to significantly reduce the attractiveness of Yukon to industry and investment.

YMAB Recommendations

1. YG should reject the Recommended Peel Watershed Regional Land Use Plan.
2. YG should re-examine the mandates and direction being provided to Yukon land use planning commissions and ensure they understand their purpose is primarily to mitigate the risk of potential land use conflicts, rather than prescribing zoning or alienation of lands without appropriate assessments.
3. As future land use planning processes proceed in the future, commissions should ensure significant industry consultation, and should also ensure that exploration potential is considered, in addition to current mining and other resource and infrastructure developments.



Ketza Property

Resource Revenue Sharing

As discussed in the 2008 YMAB Annual Report, Chapter 23 of the Umbrella Final Agreement (UFA) ensures revenue sharing between the Yukon and First Nation governments. However, YMAB is concerned that the revenue sharing arrangements in the UFA may result in an inequitable distribution of benefits to both YG and First Nations. Therefore, as noted in the 2008 Annual Report, YMAB encourages YG, First Nations and Canada to enter into discussions that result in a more equitable distribution of net benefits from natural resource revenue, including mining operations.

The objective for such discussions should be that First Nations and YG should be able to realise net incremental gains in financial benefits resulting from natural resource developments, including mining projects, as compared to the current arrangements. YG and First Nations currently have a cap of \$3 million each in respect of natural resource revenues; incremental revenues beyond that cap are clawed back by Canada in reduced transfer payments. Further, in respect of First Nations, the current arrangements potentially further compound issues due to the handling of Settlement A revenues affecting distributions to other First Nations revenue sharing capacity. These arrangements provide little incentive for YG or First Nations to support the development of new mines and realization of their related financial benefits in Yukon. Advancing mining projects without such net benefits will be challenging, and will likely cause First Nations to seek additional revenue directly from mining companies, adding to the fiscal burden on projects and reducing the attractiveness and certainty associated with mining in Yukon.

YMAB therefore reiterates its recommendation from the 2008 Annual Report that the parties to the UFA engage in discussions to result in a more equitable distribution of natural resource revenues.

As was also discussed in the 2008 Annual Report, YMAB believes that YG and First Nations likely to be affected by a proposed project need to work together to establish forums and/or working groups to develop arrangements that engender respect and transparency between YG and First Nations regarding natural resource developments, including mining projects. YG can also take a leadership role in facilitating similar arrangements between potentially-affected First Nations and project proponents. As noted in 2008, the most important aspect of these kinds of arrangements is that both a project proponent and the potentially-affected First Nations recognize and respect each other's interests and objectives. This means that a project proponent must be fair and sensitive to requests from the First Nations and the First Nations must be realistic in terms of how potential projects are able to accommodate their interests, without affecting the operational and economic viability of the proposed project.

The 2008 Annual Report also discussed transparency in discussions between YG and First Nations in respect of proposed mining projects, which means that YG needs to provide information in respect of a proposed project, including its possible economics, so that First Nations can better understand the implications of the proposed project. YG and the First Nations must both be open and willing to discuss their concerns and objectives. The process must respect, to the extent reasonable, the objectives of each party. Arrangements need to be considered for unique circumstances, such as development on Category A land.

YMAB Recommendations

1. YMAB encourages YG to enter into discussions with First Nations and Canada to obtain a more equitable arrangement in respect of net incremental revenue coming from natural resource development in the territory.
2. YG and First Nations should continue to enhance collaboration and cooperation in the development and stewardship of mining projects.

Contracting

As mining development activities proceed in Yukon, there are significant opportunities for economic benefits for local businesses, communities and First Nations through various contracts with mining and exploration companies.

In YMAB's view, the maximum benefit should be afforded to local communities, First Nations and businesses in nearest proximity to the development in question. The second priority for opportunities should be offered to Yukoners in general.

Local benefits are essential to the long-term success of the mining industry in the territory because they build capacity and business skills for the future, and build a support base for mining in Yukon, as more and more people are positively impacted by mining development and operations through employment, suppliers and contractors. As good corporate citizens, mining companies want to ensure benefits flow to the local community and to Yukon, and that a positive legacy is left behind of sustainable business capacity.

In some recent cases, partnerships and joint ventures have resulted in companies from outside Yukon obtaining large contracts for work at mining and development projects. This can have the effect of shutting out local businesses from taking advantage of such opportunities.

YMAB supports the maximum possible local participation in the Yukon mining industry and encourages all parties to work toward this goal, through various mechanisms such as economic cooperation agreements and socio-economic participation agreements. YG needs to work with industry and First Nations to foster local benefits.

YMAB Recommendations

YG and First Nations should work to maximize the participation of local business and industry in mining exploration and development activities.



Silver Hart — CMC Silver

Energy Strategy

YMAB notes two key energy issues for mining exploration and development companies operating in Yukon: availability and cost of power. The Yukon mining industry has an ongoing need for access to abundant local energy resources and there is a critical need to build a system that will provide power at a competitive cost. Lack of readily-available power at a reasonable cost is likely to be a significant impediment to long-term growth of a larger-scale mining industry in Yukon.

YG has taken first steps towards developing an energy strategy. YMAB commends YG for this and for its continued support of the expansion and improvement of the Yukon Energy Corporation (YEC) electrical grid throughout the territory, the Mayo B project and other projects to increase generating capacity.

That said, demand is expected to absorb most surplus power by 2012 to 2015. Yukon's electric power generation, transmission and distribution systems are not as yet fully developed and are not connected to the North American power grid. Yukon's cost of power is considerably higher than in areas connected to the North American grid; lower power costs have the potential to stimulate additional industrial development in Yukon as well as reducing the cost of power for all Yukoners.

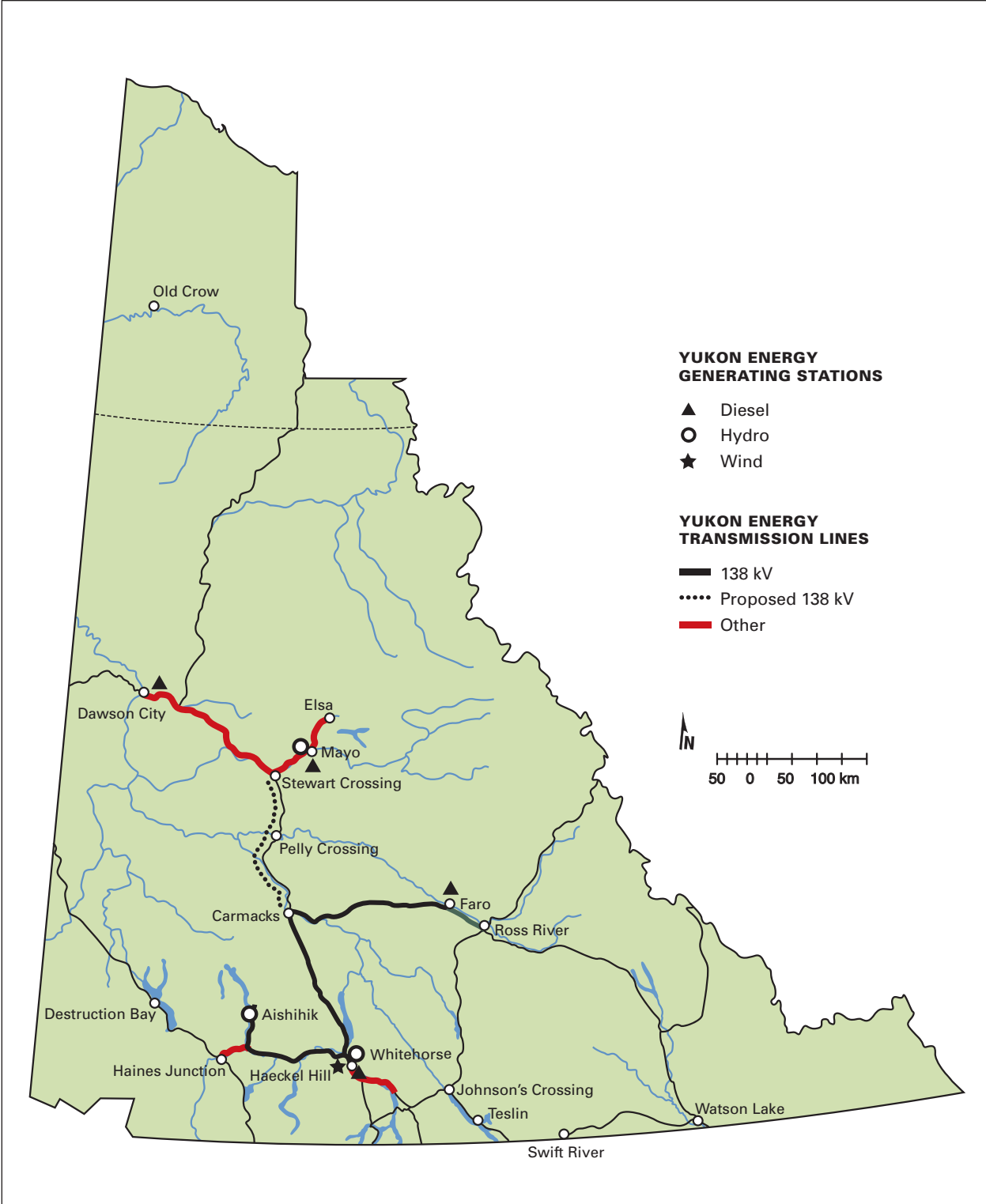
In late November 2009, YG began a public consultation to develop Yukon policies for independent power production and net metering. A discussion paper has been made available and comments are being accepted until January 29, 2010. YMAB is pleased to see YG moving ahead with these discussions. YMAB supports any initiative to develop a regime supportive of Independent Power Producers (IPPs) and that would provide IPPs with the ability to secure water rights for hydroelectric development, both for their own use and for potential expansion of the Yukon electrical generating capacity. However, YMAB is concerned that the public consultation began without any notice to members of the mining industry or to YMAB, which is an obvious impediment to the receipt of valued input from the mining sector.

In addition, YMAB re-iterates that YG should continue to support the interconnection of the territory's electrical grids within Yukon and connection to grids in Alaska and British Columbia, as well as pursuing other options for increasing generating capacity to meet forecast industry and consumer needs.

YMAB notes that one of the benefits of connection to other grids is that it would provide options for power sales to other jurisdictions, in case the need for power in Yukon decreases in future. Conversely, it would also allow Yukon to purchase lower cost power from other jurisdictions, for the benefit of all Yukoners.

YMAB Recommendations

1. YG should continue its efforts to work together with YEC to assess potential energy needs in Yukon and to develop a long-term strategy and plan for development of Yukon's generating capacity. Elements of this plan should include the development of new sources of electrical power generation, including IPPs, and the interconnection of the Yukon power grid to Alaska and BC.
2. YG should ensure that the mining sector, as the largest industrial user of power in Yukon (both currently and very likely in the future) should be fully engaged in consultations regarding power generation in Yukon.



Electric Power Facilities in the Yukon (used with permission of Yukon Energy Corporation)

Communication and Consultation

YMAB has some ongoing concerns regarding YG's approach to communications, which is affecting YMAB's ability to be effective, and the degree to which the stakeholders in the mining sector are being consulted with respect to issues in Yukon.

YMAB's main mandate is to provide recommendations to the Minister of Energy, Mines and Resources. In order to ensure that YMAB is in a position to provide thoughtful, informed and considered input, board members must receive appropriate notification and information regarding important mining-related consultations and initiatives. However, in a number of recent instances, various bodies have failed to provide essential and timely information on issues that YMAB should be considering.

Examples include inadequate consultation and notice to YMAB and/or industry carried out by SENES in the YESAA five-year review and the YESAB Designated Offices rules review. Concerns with both these consultation processes are noted above in the section entitled "YESAB Reviews". A third recent example was the launch by EMR of a consultation process on policies on independent power production and net metering. In this case, YMAB received no notice that this process was being planned or that it was about to begin. YMAB did not receive any information packages describing the consultation effort until the process was well underway. This is also noted above in the section entitled "Energy Strategy".

YMAB could be more effective and could provide more useful input and advice to the Minister if it was given early notification that such a process is being contemplated, information about the scope and nature of the consultation, and an indication of when it is about to begin. This would also give YMAB the opportunity to provide input as the process is being planned.

In YMAB's view, the onus for the notification and provision of information just described should be on the Minister, YG and/or on the group conducting a given consultation or launching a mining-related initiative.

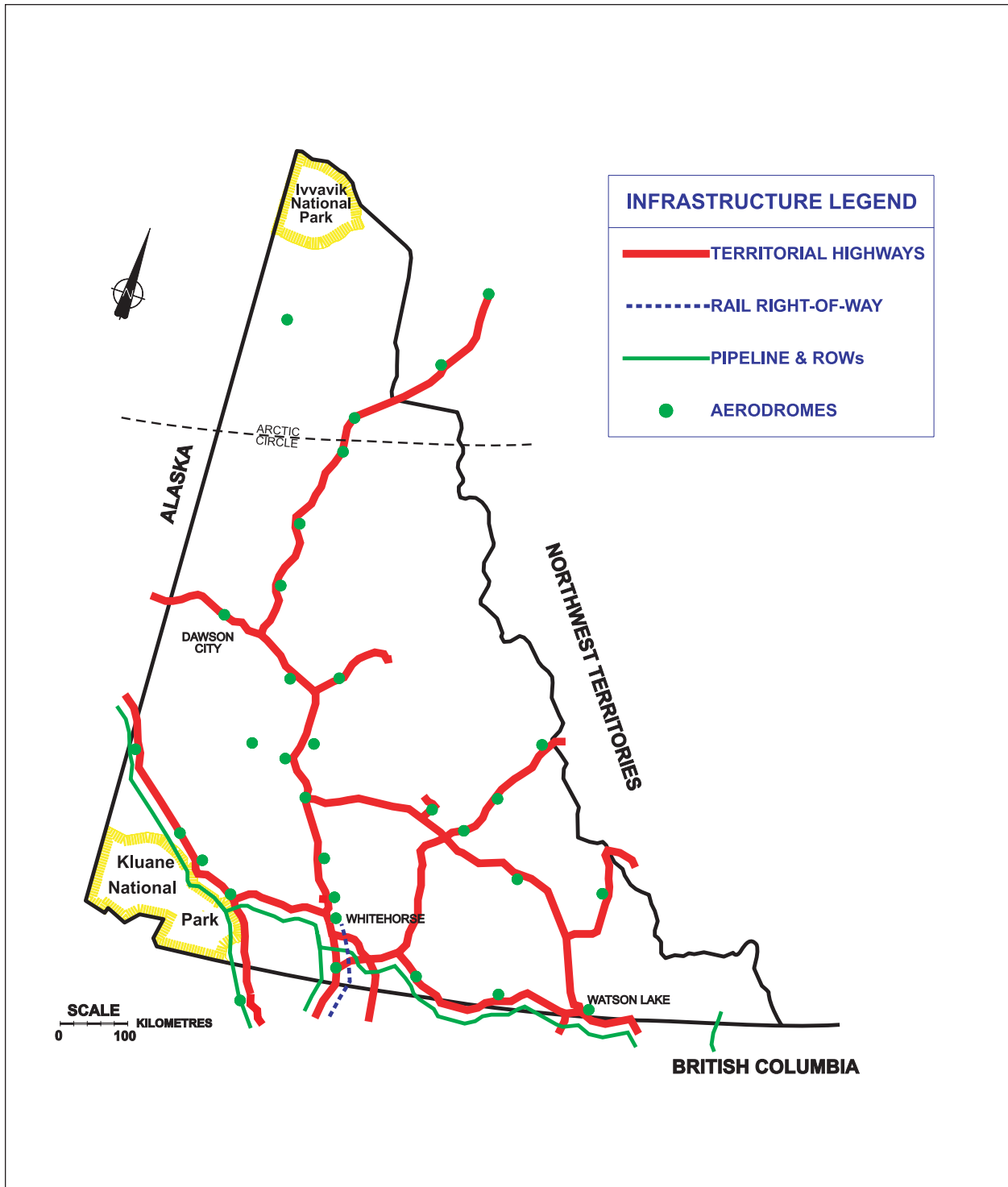
An example of a well-conducted process is the 2008 consultation on amendments to the *Quartz Mining Act*. This two-phase process included extensive consultation with draft proposals published for comment. Consultation sessions were held with the mining industry, First Nations and the public. Members of the mining sector received all the necessary notice and information required to participate fully and effectively in the process. This kind of well-run process should be the model or template for future consultations.

In general, YG needs to significantly improve the levels of notification and consultation with YMAB and various components of the mining industry, including the Yukon Chamber of Mines and individual mining and exploration companies, in order to ensure industry is fully aware of activities that will affect their operations in the territory.

The notification and information provided should be early, proactive, comprehensive and delivered directly to industry and industry bodies. YMAB encourages YG to use YMAB as a resource when considering or planning processes that affect the mining industry.

YMAB Recommendations

1. YG should work to improve notification, information and consultation opportunities provided to YMAB and various components of the Yukon mining industry, including the Yukon Chamber of Mines and individual mining and exploration companies, as well as affected First Nations, in regard to any mining-related consultations and initiatives being launched in Yukon.
2. The Minister should also provide early notification to YMAB when such processes are being contemplated, so that YMAB has the opportunity to provide input as the process is being planned.



Status of Infrastructure in Yukon
 Source: Government of Yukon, Transportation Engineering

Acknowledgements

YMAB thanks staff within the Yukon government's Department of Energy, Mines & Resources for contributing background information on mineral exploration and development activities in Yukon during 2009.

Similarly, YMAB thanks the Yukon Environmental and Socio-economic Assessment Board (YESAB) for providing information on YESAB's operations to date.

Information was also obtained from the following websites:

www.yesab.ca

www.cyfn.ca

www.emr.gov.yk.ca

www.peel.planyukon.ca

www.yesaareview.ca

Glossary of Terms

CYFN.....	Council of Yukon First Nations
DO.....	Designated Office, YESAB
DPWLUP	Draft Peel Watershed Land Use Plan
EMR	Energy, Mines and Resources — department of the Yukon Government
IPP	Independent Power Producer
KPMA	Klondike Placer Miners' Association
LUP	Land Use Planning
QMA	<i>Quartz Mining Act</i>
RARP	Resource Access Road Program
RPWRLUP	Recommended Peel Watershed Regional Land Use Plan
UFA	Umbrella Final Agreement
YEC	Yukon Energy Corporation
YESAA	<i>Yukon Environmental and Socio-economic Assessment Act</i>
YESAB	Yukon Environmental and Socio-economic Assessment Board
YG	Yukon Government
YGS	Yukon Geological Survey
YMAB	Yukon Minerals Advisory Board
YMIP	Yukon Mining Incentives Program
YMTA.....	Yukon Mine Training Association
YPA	Yukon Prospectors' Association
YWB	Yukon Water Board

Appendix A: Order in Council Creating The Yukon Minerals Advisory Board

M.O. 1999/06
ECONOMIC DEVELOPMENT ACT

ECONOMIC DEVELOPMENT ACT

Pursuant to section 9 of the *Economic Development Act*, the Minister of Economic Development orders as follows:

1. The annexed Yukon Minerals Advisory Board Order is hereby made.

Dated at Whitehorse, in the Yukon Territory, this 7 day of June, 1999.

Minister of Economic Development

A.M. 1999/06
LOI SUR LE DÉVELOPPEMENT ÉCONOMIQUE

LOI SUR LE DÉVELOPPEMENT ÉCONOMIQUE

Le ministre de l'Expansion économique, conformément à l'article 9 de la *Loi sur le développement économique*, décrète ce qui suit :

1. Le Décret créant le Conseil consultatif sur l'exploitation minière au Yukon est établi.

Fait à Whitehorse, dans le territoire du Yukon, ce 7 juin 1999.

Ministre de l'Expansion économique

Terms of Reference of Yukon Minerals Advisory Board

Organization

Authority

The Board is established under the *Economic Development Act* to advise the Minister of Energy, Mines and Resources on mineral development matters in accordance with these terms of reference.

Mandate of the Board

The Board shall:

- Make recommendations on specific matters referred to it from time to time, by the Minister;
- Undertake other initiatives, such as conferences and public workshops on mineral development matters, as requested by the Minister; and
- Make recommendations to the Minister to fulfill the objectives of the Board.

The Board shall table with the Legislature an annual report for the previous calendar year by May 1st. Matters to be addressed in this report include activities of the Board and, on the request of the Minister, recommendations on matters referred to it in the previous year.

Objectives of the Board

The Board shall recommend to the Minister measures, including government actions to:

- increase the potential for mineral exploration and development in Yukon;
- attract capital for the exploration and development of new mines;
- ensure that mines can be developed feasibly and in a timely fashion;
- improve the potential for producing mines to remain viable;
- enhance Yukon participation in mining;
- reduce constraints, including government constraints, on the development of minerals in Yukon; and
- outreach with first nations to explore the opportunities and benefits of mineral exploration and development in Yukon.

Duration of Mandate

The Yukon Minerals Advisory Board will be subject to review after five years, in 2005, to determine its continuance, according to policy objectives and priorities at that time.

Makeup of the Board

The Board consists of the following representatives:

- Member of the Yukon Chamber of Mines;
- Member of the Klondike Placer Miners Association;
- CEO or senior managers of companies with Yukon mineral exploration projects and/or mines;
- CEO or senior managers of junior mining sector;
- Representatives of national mining associations;
- Other individuals who have at least five years experience in various aspects of the minerals industries.

The Board will consist of no more than 10 members.

Members will be appointed by the Minister of Energy, Mines and Resources. Appointments shall have a duration of up to 2 years, and terms can be renewed by the Minister.

The Minister shall appoint one member of the Board to serve as chair, for a period of two years. Such terms can be renewed by the Minister.

Secretariat

Secretariat services and other support as required, will be provided by Department of Energy, Mines and Resources. The secretariat will provide certain analytical, technical and administrative services necessary for the effective operation of the Board. Direction of the secretariat will normally be provided by the Chair.

Independent recording and minute-taking services will be provided for by the Department of Energy, Mines and Resources.

Proceedings

Meetings

The Board will meet, at minimum, once a year.

Quorum

A majority of the Board, including the Chair, constitutes a quorum.

Conflict of Interest

A member of the Board will not be considered to have a material conflict of interest if:

- The member has a financial interest in a mining company operating in the Yukon;
- The member has an interest in a mining company receiving financial assistance from government in association with a mineral exploration or development project;
- The member receives financial assistance from government in association with a mineral exploration or development project;
- The member has an interest in a mining company or property with regulatory applications and authorizations under consideration by the Yukon government.

Board Procedures

The Board may establish procedures and rules governing the conduct of its business.

Public Access

The minutes or other form of record of Board meetings shall be available to the public.

