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YUKON 2000 PROJECT REPORTS

MINING SECTOR

Prepared for

DIAND, Northern Affairs Program, Yukon Region  
on behalf of the Government of Yukon  
Department of Economic Development: Mines and Small Business

Prepared by

HDD RESOURCE CONSULTANTS LTD.  
Suite 780, 789 West Pender Street  
Vancouver, British Columbia  
V6C 1H2

May 27, 1987



## PREFACE

This report contains the following papers; (1) Yukon 2000: Mining Industry Strategy Paper; (2) Summary of Mineral Sector Workshop, May 11 & 12, 1987, Yukon 2000 Project; and (3) October 1986 Mining Industry Strategy Paper.

REPORT 1

YUKON 2000: MINING INDUSTRY STRATEGY PAPER

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## 1.0 INTRODUCTION

The mining industry currently provides a significant economic contribution to the Yukon economy. Under supportive mineral resource management this industry can continue to offer economic benefits.

The purpose of this paper is to provide recommendations and directions to government that will enhance the Yukon mining industry and provide ongoing economic advantages to Yukoners.

YUKON 2000  
GOALS

The  
option  
to stay  
in the  
Yukon

Control  
of  
our  
future

YUKON  
DEVELOPMENT  
STRATEGY

YUKON 2000  
2000 Vision

Yukon

Equality  
of  
opportunity  
for all  
Yukoners

An  
acceptable  
quality of  
life

## 2.0 DIRECTIONS FOR ACTION

For the Yukon mining industry to continue to prosper government will need to contribute in certain areas. Three principal actions that government should take to support the mining industry are: create business certainty; recognize the industry is primarily composed of small mining enterprises; and communicate by listening as well as pronouncing.

### Create Business Certainty

The mining industry needs certainty in government policy and in application of regulations to maximize the benefits that it can contribute to the Yukon economy. Business certainty is necessary so that the industry can plan operations and finance new mining projects.

### The Yukon Industrial Structure is Small Mining Companies

Government must learn that most of the companies involved in the mining business in the Yukon are small companies ranging from the "mom and pop" placer operations to the junior mining companies. As government understands the scale of the industry, policy can be developed to support these types of companies as well as the major mining companies.

### Communication

In today's rapidly changing world the sooner problems are identified and solutions found, the quicker benefits to society are obtained. Therefore, a regular schedule of listening as well as giving pronouncements must be established between government and the industry.

Communication can be carried out at several levels: ministers and the mining industry leaders, senior government officials and the mining company managers, and the leaders of the mining industry and other economic sectors.

### 3.0 CONSTRAINTS TO MINERAL DEVELOPMENT

The geological environment in the Yukon is positive to mineral development, though there are some regulatory and technical factors that inhibit development. These elements can be grouped to provide Directions for Action.

#### Create Business Certainty

Alienation of Land. About 16 percent of the land in the Yukon is withdrawn from mining for purposes of national parks, native land claims, and so forth. It is the concern of the industry that tenure of mining lands, and access to existing mining properties, and potential mineral areas may be eliminated or reduced by continued withdrawals of land for single or limited use purposes. The total resource base of mining will be proportionately reduced and long term regional exploration programs could be curtailed before an economic discovery is made, but after substantial investment cost have been incurred.

Conflicting Legislation. There are three Federal Acts dealing with placer mining that appear to conflict with one another at times. The three Acts, each designed to protect different elements, are the Fisheries Act, which says that fish habitat must be protected, the Yukon Placer Mining Act, which grants mining rights, and the Northern Inland Waters Act, which protects water quality.

Attempts by government to develop a regime to improve environmental management of the industry has created apprehension in the placer mining industry for the future of the industry.

Regulatory and Approval Process. Because of overlapping legislation and a multiplicity of government agencies overseeing the industry, long lead times are required to satisfy all of the

departments involved in application review processes. Lengthy delays in processing increase the cost of doing business.

Indian Land Claims. The lack of settlement of claims creates uncertainty with respect to ownership of northern lands and the right to explore on these lands and access across the land.

The Yukon Industrial Structure is  
Small Mining Companies

Geoscience Data Base. All of the Yukon is mapped to a scale of 1:250,000. The government has identified 176 current geological priority targets for detailed 1:50,000 scale mapping. Of these targets about 60 have been completed or will be by 1989. This relatively slow pace may play a part in reducing the rate of exploration in the Yukon.

Taxation. While taxes are generally lower in the Yukon for many categories, such as income, sales and royalties, compared to other parts of Canada, the placer mining industry has some specific problems. For example, the eligibility rules which apply to flow through funding make it unattractive and difficult for investors to finance placer mining operations. Placer mining companies generally are not public companies and many of their exploration activities do not fit the Canadian Exploration Expense category required to qualify as flow-through expenditures.

Infrastructure. The shortage of infrastructure in the Yukon may inhibit the growth of the industry. The rate of development of new access roads may be too slow to meet the needs of the mining industry.

Power and Transportation Costs. High energy costs increase the cost of production. The impact may be more significant on

smaller companies who often have higher production costs than larger companies.

Capital Availability. Placer miners have difficulty establishing mineral reserve positions, and therefore generally do not meet the lending requirements of banks. The nature of their business makes it difficult to obtain capital at low cost.

#### Communication

Government Attitude. Some members of the industry perceive that government does not have a positive attitude towards mining. This perception creates some uncertainty and may inhibit mineral development.

#### 4.0 SOLUTIONS

The directions that government policy can take to alleviate the constraints to mineral development can be grouped: Business Certainty; Industrial Structure is Small Mining Companies; Communication.

##### Create Business Certainty

Alienation of Land. The amount of land currently withdrawn from staking is more than sufficient to provide for purposes that are incompatible with mining. A further increase in the withdrawal of land from mining exploration will reduce the chances for finding mineral deposits. Consequently, the size of the industry will diminish. Some of the land currently withdrawn because of conservation or other reasons could be reopened to exploration activity.

Conflicting Legislation. DIAND and the Department of Fisheries and Oceans should expedite their negotiations to provide relief regulations for the placer mining industry under the Fisheries Act and the Northern Inland Waters Act.

Regulatory and Approval Process. Many of the regulations currently in place in the Yukon are satisfactory to encourage the development of the industry. A problem exists with the approval process. Government should concentrate on streamlining the process to complete application approvals. Specific time limits should be set to approve or disapprove the permit or license application. If the originator of the permit or license application does not receive recognition from the government within that time period, approval would automatically be given.

Indian Land Claims. A lack of settlement of Indian land claims creates uncertainty within the industry. The government should proceed quickly to settle the land claims issue.

Government should encourage Indians to become more involved in prospecting and exploration activities through education and joint ventures.

**The Yukon Industrial Structure is  
Small Mining Companies**

Geoscience Data Base. Geologic information is necessary for the exploration process. Furthermore, many of the junior mining companies and prospectors involved in the mining business in the Yukon do not have the money to spend to obtain large quantities of geoscience data. The government does have a significant role to play in this aspect of the business. The Yukon Economic Development Agreement allocates \$3.3 million to geological mapping and geochemical surveys over four years. There is a strong need to increase the amount of money spent in this program. Therefore, it is recommended that funding for geological mapping and geochemical surveys be increased 1 1/2 times to approximately \$1.25 million annually beginning in 1990. This would involve an expenditure of \$12.5 million by the year 2000.

The distribution of geoscience data to the industry is currently satisfactory and should be maintained in its current manner.

Taxation. Consideration should be given to broadening the eligibility rules which apply to flow-through funding to make the placer mining industry more attractive to investors seeking tax relief.

Infrastructure. Transportation of materials is a significant cost to the mining industry in the Yukon. The government can moderate this cost by continuing its program to develop roads. The current funding of new access roads

throughout the Yukon to a total of \$2.5 million annually may, if spent efficiently, be sufficient to meet the needs of industry. This rate of expenditure should continue to the year 2000 which may involve an additional expenditure of about \$20 million.

While the money currently being allocated to the Access Road Program is adequate, the manner in which it is spent should be reviewed. The established standards to which roads must be constructed are too high in many circumstances. A review of the engineering standards should be conducted to ensure that roads are not being over-engineered, especially the roads used in mineral exploration. Less money should be spent on engineering and more on construction. For example, in many cases the quality of many roads need not be better than "tote road quality".

Power and Transportation Costs. Consideration should be given to establish a research fund to study ways and means of reducing power and transportation costs for mining companies. Research would be directed to studying alternative sources of power and how to improve the distribution system for fuel.

Capital Availability. It is difficult for small operators (eg., placer miners, junior companies and prospectors) to obtain capital. Remedies for consideration include:

- (a) Establishing programs to encourage small operators to apply exploration principles to establish ore reserves to improve their credibility with financial institutions;
- (b) Establishing loan guarantees to qualified operators (KPMA has suggested 20% operator equity and 80% credit, half of it guaranteed by government);

- (c) Establishing a share purchase plan with tax advantages to investors to encourage them to invest in companies that explore in the Yukon. (Such a plan may compensate for the loss of exploration activity should flow-through funding end.); and
- (d) Increasing the amount of capital available to small prospectors under the Prospectors Assistance Program from the current \$5,500 to a maximum of \$10,000 per qualified individual.

Economic Development Agreement. Additional Economic Development Agreements (EDA) should be established once the current EDA expires. Consideration should be given to changing the administration of the agreement with more industry input into establishing the administrative framework and funding levels.

Placer Mining Research. The current EDA allocates about \$600,000 for research on economic and environmental aspects of placer mining. Because the placer mining industry is a significant contributor to the Yukon economy, this sum may be insufficient to enhance development of this industry. Consideration should be given to increasing expenditures for research on placer mining to a level of \$500,000 annually beginning in 1990 for a total of \$5 million to the year 2000. Consideration should also be given to directing the research that this money would fund towards the materials handling aspects of placer mining and improving reserve delineation.

#### Communication

Government Attitude. Dialogue between government and industry needs to be broadened to identify the problems that the industry faces and develop solutions to the problems. Industry should have the opportunity to meet quarterly with officials and annually with government Ministers.

Competing Interests. The mining industry supports the multiple use of land by all interests. Where conflicts arise, government can encourage dialogue between/among the resource users so that equitable solutions and informed decisions may be made.

REPORT 2

SUMMARY OF MINERAL SECTOR WORKSHOP  
MAY 11 & 12, 1987: YUKON 2000 PROJECT

**SUMMARY OF MINERAL SECTOR WORKSHOP  
MAY 11 & 12, 1987: YUKON 2000 PROJECT**

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APPENDIX C: Material Sent to the People Invited to the Mining Sector Workshop.	

## 1.0 INTRODUCTION

This report presents a summary of the key points made during the Yukon 2000 Mining Sector Workshop held at the Klondike Inn in Whitehorse, on May 11 and 12, 1987. The workshop was attended by 35 people representing various mining companies and organizations involved in, or affected by, the mining business in the Yukon. Appendix A, presents a list of the participants of the mining sector workshop. Appendix B, presents a list of the individuals who were specifically invited by Yukon 2000 to attend the workshop. Appendix C, presents the material that was sent to the people who were invited to the workshop. This material includes: a letter of invitation from the Government Leader Tony Penikett; a cover letter from Catharine Read, Senior Economic Planner; an agenda for the meeting; a discussion paper for the workshop; and a copy of the Northern Mineral Policy document dated December 1986.

The summary of the workshop has been broken into eleven general categories which were discussed during the workshop. The categories are as follows: Government Programs, Alienation of Land, Infrastructure, Capital Availability, Geological Data Base, Conflicting Legislation, Regulatory and Approval Process, Indian Land Claims, Labour/Power/Transportation Costs, Taxation, and Government Attitude.

The following is a summary of the key points that were made during the workshop.

## 2.0 OVERVIEW

A) This section presents the general principles that evolved during the workshop. Several comments were made that the mining industry in the Yukon is comprised of two distinct players: Placer mining and hard rock mining. The placer mining industry is generally comprised of small "mom and pop" operations while the hard rock mining companies tend to be larger, more substantial companies. Because of the unique characteristics of placer mining, it was felt by many that this part of the industry had problems different from hard rock mining.

B) Mineral policy for the Yukon should be designed to accommodate the problems of small companies rather than large companies. The fact is that there is only one large mine in the Yukon, therefore, government policy that is designed to regulate large companies is inappropriate for the Yukon.

C) The mining industry in the Yukon requires stability and certainty in all dealings with all governments.

### 3.0 SPECIFIC COMMENTS

This section provides a summary of the principal points made by the public attending the workshop.

#### 1. Government Programs

1. Government programs should be designed to allow the mining companies to take advantage of price cycles. For example, if the regulatory process is such that it encumbers mining companies to the extent that they miss peak price cycles, this impacts on their ability to make a profit and hence survive.
2. Government has a role to play in building a data bank to assist companies in the primary exploration stage (geophysics, geochemistry, etc.).
3. Placer miners feel that current research money funded by the government is being incorrectly spent. They believe that more research money should be spent by government on placer exploration technology and materials handling. The current EDA Agreement allocates \$600,000 to placer mining research which is an annual expenditure of approximately \$150,000. The KPMA believes that this money is too small a sum relative to what has been allocated to other sectors of the economy such as tourism. In their opinion, a more appropriate expenditure for research would be \$600,000 annually.
4. The Yukon College should offer more programs in geology. This would encourage local residents to become more involved in the industry.
5. Exploration is not a 9 to 5 job. Therefore, government programs should not be designed for an industry which

employees typically work those hours.

6. Government taxation policy should be designed such that it does not discriminate against self-employed people, which appears to be the current situation in the taxation of northern benefits.
7. Government salary expenditures have grown too rapidly for the industry to support.
8. The Yukon Government should revise the eligibility requirements of the Exploration Incentives Program to make the program more accessible to placer miners. The problem is the no income from production stipulation which prevents many of the placer miners from applying for assistance. Larger mining companies are funded such that they can incur expenditures and pay no taxes during the exploration stages, placer miners cannot do this.
9. All mining firms should be treated equally in the distribution of government subsidies. All government incentive programs should be designed such that all mining companies have the opportunity to apply to the program.
10. The Mining Recorder's Office works efficiently.

## 2. Alienation of Land

1. All lands including National Parks should be open for primary exploration, which includes prospecting geophysics and geochemical work.
2. It was felt that the amount of land withdrawn from mining in the Yukon, which currently stands at about

16.5 percent, is too high and that this figure should not increase and if anything, it should decrease.

3. The Government should set a specific timetable to settle the outstanding questions concerning lands still targeted for withdrawal. An open-ended timetable creates too much uncertainty for the industry. One suggestion was that the government should make a decision in this area within the next two years.
4. Access corridors need to be set aside for access to all mining lands.
5. All mining lands should be reclaimed to a natural state.
6. Multiple use of land is desirable to the industry.

### 3. Infrastructure

1. Government should either build roads or provide funding to the private sector to do so to permit access for exploration.
2. Engineering standards of roads should be reduced. The problem currently appears to be that time is being wasted over-designing roads. The comment is "get on with the job".
3. The current amount of money currently being set aside for road development appears to be satisfactory, however this money is being spent inefficiently.
4. Too many permits are required for private roads.
5. Private mining roads that meet low level government standards should be permitted and encouraged.

6. Roads take too long to build.

4. Capital Availability

1. Flow-through financing will end. Currently, about sixty percent of money raised for exploration purposes today is by flow-through shares. When flow-through funding ends the mining companies may experience difficulty raising money for exploration. Therefore, the Yukon may face difficulty attracting exploration funds because of the lack of a discovery of a "bonanza property".
2. Flow-through funds for exploration are available but funding to develop mines is often difficult to obtain.
3. The amount of capital available to small prospectors should be increased. Currently, the Prospectors Assistance Program provides a contribution of up to \$5,500 towards the travelling and operational expenses of qualified individuals. The feeling is that this dollar value should be increased perhaps to \$10,000 per qualified individual and the eligibility requirements broadened.
4. Government should guarantee the purchase of major equipment by placer miners to a maximum of 40% of the cost. An additional 40% would be funded by the banks plus 20% by equity. With a guarantee available from the government the placer miners would be able to obtain sufficient funding from banks for upgraded equipment.
5. The British Columbia and Yukon Chamber of Mines proposes a Yukon Stock Plan to replace flow-through shares. The essence of the program is that

participants in the Plan would get a tax credit by purchasing shares from a company that would then use the proceeds for exploration programs in the Yukon.

5. Geoscience Data Base

1. A point was made that few local individuals are involved in the process of obtaining the geological mapping which is being done under the Federal EDA Agreement. A solution to this problem may be to adopt a policy of hiring people over a five-year period, and renewing their contract on an annual basis. This would provide a continuity of local employment.
2. The current program of mapping under the EDA is good. However, the industry would like to see an increase in spending of at least 1.5 times the current level. This would mean increasing the expenditures for geological mapping and geological surveys from the current level of \$3.3 million to about \$5 million over the four-year period or an annual expenditure of about \$1.25 million.
3. More money should be spent on theoretical economic geology research that would provide long-term benefits.
4. The distribution of geoscience data is good.

6. Conflicting Legislation

1. Existing laws are satisfactory.
2. Placer miners still face the problem of conflicting legislation. That creates uncertainty!
3. Reduction in ministerial discretion is desirable.

7. Regulatory and Approval Process

1. Rules of "due diligence" as required by government should be fixed for a period of time. Work under one set of due diligence process rules should be judged under those rules.
2. Permit and approval applications should have a specific time limit for approval. If a response from the government has not been received within that time limit, approval should automatically be given.
3. The government should not assume that all miners understand the "permitting" process. Many miners assume that after submission of a permit application approval is forthcoming in a very short period of time. The fact is that the process is considerably more time-consuming. To reduce the amount of time for approval of a permit more notice should be given to miners that their permits are expiring. They can then take the time to prepare the proper documentation.
4. The notice to the miners should specify the time that it will generally take to approve the permit. Such notice would help to bring the miners expectations closer to reality. For example, if it is going to take three months for the permit to be approved, a miner should be told so that he can take steps to modify his expectations and ancillary work.
5. Miners want clarification of the standards required by the regulations. For example, the number and the quality of environmental studies required to obtain permits should be clearly specified. The number and type of study required should not be left to the discretion of the government.

8. Indian Land Claims

1. A time limit should be set to settle Indian land claims.
2. Subsurface mineral rights should not be included in the land claim settlements.
3. Access corridors to land should be established prior to any land claims settlement.
4. There is a fear that Indians would only deal with large companies and not individual prospectors once land claims are settled. For example, after settlement the Indians will have control of the surface rights and how will they exercise that control.
5. Government should encourage Indians to become more involved in the prospecting and exploration business. This could be done by perhaps making them more aware of the Prospectors Assistance Program or through education.

9. Labour/Power/Transportation Cost

1. The cost of power should be reduced. No solutions were proposed to accomplish this objective.
2. The cost of fuel is too high. Again, no solutions were offered to solve this problem. There was a question whether local sources of fuel were available.
3. Some people thought that free trade between Alaska and Yukon may be a way of lowering the cost of supplies.
4. Work time should be related to sun cycles (don't want to pay overtime). Companies should be allowed to

operate under a flexible work schedule.

5. Work should be done safely.
6. A major problem is the cost of transportation of supplies.

10. Taxation

1. People felt that, in general, the tax system in place was satisfactory.
2. Some problems occur with the taxation of northern benefits. There is discrimination between employees and entrepreneurs. Companies worry that the paper burden required by the northern benefits tax system will be placed entirely on their shoulders. This action would increase their cost of doing business, which in turn would lower their competitiveness.

11. Government Attitude

1. Government should be publicly more supportive of the mining industry.
2. More precise documentation about the requirements of the regulatory and approvals process should be available to educate the mining industry. The mining industry is not necessarily familiar with the total approvals system.
3. Government needs to understand that industry is comprised of small, entrepreneurial companies. The situation in the Yukon is one of big government and small business. Therefore, the attitude of the government, if it is to encourage development of the mining industry in the Yukon, should reflect that fact.

4. There should be more meetings between the politicians in government and managers in industry to identify the problems that the industry has and come up with solutions to these problems. Participants to these meetings should include the most senior levels of government such as at the ministerial level as well as the senior levels of the bureaucracy. Suggested frequency for such meetings would be at least on a quarterly basis.
  
5. It was felt that the government does not need to set up a particular department to promote the mining industry or liaise with its members. It was felt that there are enough qualified people within government who understand the industry, that can speak on behalf of government with and for the industry.

**APPENDIX A**

**LIST OF PARTICIPANTS OF THE MINING SECTOR WORKSHOP  
MAY 11 - 12, 1987**

## APPENDIX A

**LIST OF PARTICIPANTS OF THE  
MINING SECTION WORKSHOP, MAY 11-12, 1987**

NAME	COMPANY (ORGANIZATION)	LOCATION
ABBOTT, Grant	DIAND - Geology Section	Whitehorse
BAIRO, Doug	Yukon Prospectors	Whitehorse
BERGER, Fred	Businessman	Dawson City
DRECHSLER, Herbert	HDD Resource Consultants	Vancouver
CLARKSON, Randy	New Era Engineering Corp.	Whitehorse
FALLE, Irma	Yukon Livestock & Agriculture Association/Placer Miner	Whithorse
FRY, A.J.	King Solomon Mines Ltd.	Dawson City
FULLER, Stephan	YTG Renewable Resources	Whitehorse
GORVAL, Brian	HDD Resource Consultants	Vancouver
GRANT, Robert	Curragh Resources	Whitehorse
HASTROM, Arnold	Yukon 2000	Whitehorse
HILL, Rod	YTG - Economic Development	Whitehorse
JILSON, Greg	Curragh Resources	Whitehorse
JOHNS, Art	Trapper	Carcross
KAPTY, Al	KPMA/Yukon Chamber of Mines Trans North Air	Whitehorse
KOZAK, Gary	Miner	Whitehorse
MacDonald, C.	DIAND-Mining Engineering	Whitehorse
McDougall, Gillian	Geologist	Whitehorse
McINTYRE, Rob	DIAND - Mineral Resources	Whitehorse
McLACHLAN, Jim	MLA & Mining Engineer	Faro
MORISON, S.R.	DIAND - Geology	Whitehorse
OGILVY, Cam	DIAND	Whitehorse
PATNOOE, Bruce	Yukon Prospectors Assoc.	Whitehorse
PATTERSON, Jack	BC & Yukon Chamber of Mines	Vancouver
PERCIVAL, Peter W.	Mt. Skukum Gold Mines Corp.	Whitehorse
PRASAD, Naresh	DIAND - Mining Inp.	Whitehorse
PRINCE, Dennis	Yukon Chamber of Mines	Whitehorse
PRIVETT, Fred	DIAND	Whitehorse

APPENDIX A Continued

LIST OF PARTICIPANTS OF THE  
MINING SECTION WORKSHOP, MAY 11-12, 1987

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NAME	COMPANY (ORGANIZATION)	LOCATION
ROSS, Norm	KPMA/Ross Mining	Dawson City
SCHMIDT, Marion	Ballarat Mines Ltd. KPMA	Dawson City
SELLMER, Walter	Canamax - SP	Vancouver
STUTTER, Mike	Placer Mining	Dawson City
TURNER, G.	Main Street Mining	Whitehorse
WILKINSON, Terry	Yukon Outfitters Association	Watson Lake
WILSON, Jim	Canada Tungsten Mining Corp.	Whitehorse

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**APPENDIX B**

**LIST OF INDIVIDUALS INVITED TO ATTEND THE  
MINING SECTOR WORKSHOP**

## PEOPLE INVITED TO THE WORKSHOP

11:15 WEDNESDAY, APRIL 8, 1987

1

PERSON	HOMESTR	HOME CITY	ORCNAME
leNobel, D. Neil	1050 West Pender St. Ste. 1600	Vancouver	Utah Mines Ltd.
Alcock, Al	G-2	Whitehorse	Yukon Livestock & Agriculture
Allen, James	22 Nisutlin Drive	Whitehorse	Council for Yukon Indians
Barker, M.	5 Teak Avenue	Whitehorse	M.B.N. Surveys Ltd.
Beley, M.J.	Suite 320, 475 Howe Street	Vancouver	Bema Industries Ltd.
Berger, Fred	P.O. Box 2	Dawson City	
Bergvinson, E.	575 Howe Street	Vancouver	
Berthelsen, E.M.	1600 - 409 Granville Street	Vancouver	Omni Resources Ltd.
Bidwell, Gerald	205A Main St., Ste. 210	Whitehorse	Esso Minerals Canada
Brock, J.S.	1027 - 470 Granville Street	Vancouver	Hudson Bay Exploration
Carlos, A.	13 Aspen Drive	Whitehorse	Welcome North Mines Ltd.
Carlyle, Larry	74 Tamarack Drive	Whitehorse	
Caron, Tony	7 Roundell Road	Whitehorse	Caron Diamond Drilling
Cathro, Bob	Box 4127	Whitehorse	Archer Cathro & Assoc.
Clarkson, Randy	Box 4491	Whitehorse	New Era Engineering Corp.
Clasby, Ken	143 Industrial Road	Whitehorse	Finning Tractor & Equipment
Cowan, J.C.	P.O. Box 40, Commerce Court	Toronto	United Keno Hill Mines Limited
Devitt, J.	Suite 1600, 1066 W. Hastings	Vancouver	Canada Tungsten Mining Corp.x
Emery, D.J.	Postal Service 3000	Yellowknife	Giant Yellowknife Mines Ltd.
Falle, Al	137 Industrial Road	Whitehorse	
Fargaard, Kurt	Box 1000	Faro	
Farquharson, G.	12th Floor, 20 Toronto Street	Toronto	Curragh Resources
Frame, Clifford	202 - 2131 2nd Avenue	Whitehorse	Nanisivik Mines Limited
Fry, Alan	412 Main Street	Whitehorse	Curragh Resources Corporation
Fry, Art	Box 19	Dawson City	Klondike Placer Miners Assoc.
Gingell, Judy	Box 4042	Whitehorse	
Grant, Robert	117 Industrial Road	Whitehorse	Yukon Indian Development Corp.
Gutrath, G.C.	850 West Hastings St., 9th Fl.	Vancouver	Curragh Resources Ltd.
Hagar, Robert	Box 220	Mayo	Queenstake Resources Ltd.
Hakonson, Greg	Box 395	Dawson City	Mayo Indian Band
Hales, Bill	Box 2775	Whitehorse	
Hallbauer, R.E.	2600 - 200 Granville Street	Vancouver	Mount Skukum Gold Mining Corp.
Harvey, John	1500 - 675 West Hastings St.	Vancouver	Cominco Limited
Hendrick, K.C.	P.O. Box 45, Commerce Court	Toronto	The Hughes-Lang Group
Hill, Roderic.	F-1	Whitehorse	Noranda Minerals Inc.
Hyde, A.W.	7 Willow Crescent	Whitehorse	Economic Development
Jacobsen, Ivan	6B-502 Lambert Street	Whitehorse	
Jamieson, Dave	13 Macdonald Road	Whitehorse	
Jensen, Claus	Suite 430, 3700 Gilmore Way	Burnaby	Midnight Sun Drilling
Johns, Art	Box 16	Carcross	Giant Bay Resources Ltd.
Kapty, Al	Box 4338	Whitehorse	Yukon Trappers Association
Keleva, Yuri	204-212 Main Street	Whitehorse	Trans North Air/KPMA
Lattin, Con	302 Steele Street	Whitehorse	United Steelworkers
Lee, Gary	38-502 Lambert Street	Whitehorse	Whitehorse Chamber of Commerce
Lenton, Wayne	1066 West Hastings Street	Vancouver	
Lerner, Wayne	5 Juniper Drive	Whitehorse	
Lowrie, D.A.	P.O. Box 91, Commerce Court W.	Toronto	Canada Tungsten Mining Corp.
MacCauley, Terry	900 - 808 West Hastings St.	Vancouver	Queenstake Resources
MacKenzie, Hector	Box 5405	Whitehorse	Kerr Addison Mines Ltd.
Marshall, P.M.	P.O. Box 49066	Vancouver	Newmont Exploration of Canada
McCroory, T.	307 Jarvis Street	Whitehorse	Yukon Assoc. Wilderness Guides
McIntyre, Rob	200 Range Road	Whitehorse	Westmin Resources Ltd.
Milburn, Dennis	303-535 Thurlow Street	Vancouver	McCroory Holdings Ltd.
Miller, George C.	809 - 350 Sparks Street	Ottawa	DIAND
Miller, Mike	204-212 Main Street	Whitehorse	National Investors Management
Moreau, Jacques	99 - 178 Range Road	Whitehorse	The Mining Assoc of Canada
			United Steelworkers of America

## PEOPLE INVITED TO THE WORKSHOP

11:15 WEDNESDAY, APRIL 8, 1987 2

PERSON	HOMESTR	HOME CITY	ORGNAME
Morin, Jim	200 Range Road	Whitehorse	Diand
Muff, Joe	Hangar A	Whitehorse	Alkan Air Ltd.
Nutter, David E.	P.O. Box 2818	Yellowknife	N.W.T. Chamber of Mines
O'Rourke, J.C.	2000 - 1055 West Hastings St.	Vancouver	Cassiar Mining Limited
Ogilvy, Cam	200 Range Road	Whitehorse	Indian & Northern Affairs
Patnode, Bruce	99 Parkland	Whitehorse	
Patterson, Jack	840 West Hastings Street	Vancouver	B.C. & Yukon Chamber of Mines
Pazim, Murray	P.O. Box 10108	Vancouver	Galveston Petroleum Ltd.
Prasad, Naresh	200 Range Road	Whitehorse	DIAND
Preston, Bill	307 Jarvis Street	Whitehorse	McCrory Holdings Ltd.
Prince, Dennis	412 Main Street	Whitehorse	Chamber of Mines
Reid, Wayne	203-107 Main Street	Whitehorse	Noranda Mines
Reinertson, Lawrie	1050 Davie Street	Vancouver	Noranda Exploration Co. Ltd.
Riordon, Tim	General Delivery	Elsa	United Keno Hill Mines
Ross, Norm	412 Main Street	Whitehorse	Klondyke Placer Miners Assoc.
Schmidt, Marion	56 Tamarack	Whitehorse	
Sellmer, Walter	181 University Ave., Ste. 1100	Toronto	Canamax Resources Inc.
Selmer, Walter	Suite 601, 535 Thurlow Street	Vancouver	Canamax
Smith, Murray	184 Industrial Road	Whitehorse	ctic Drilling
Smith, Murray	3 - 3089 3rd Avenue	Whitehorse	Yukon Economic Council
Stevens, Jim	Box 4127	Whitehorse	Caron Diamond Drilling
Stutter, Mike	P.O. Box 4779	Whitehorse	
Taylor, Frank	Box 174	Mayo	
Taylor, Roger	1500 - 1075 West Georgia St.	Vancouver	Abermin Corporation
Tramm, Dietmar	22 Nisutlin Drive	Whitehorse	Council for Yukon Indians
Troberg, Ralph	Box 105	Dawson City	
Turner, Graham	200 - 100 Main Street	Whitehorse	Main Street Mining Ltd.
Walton, J.S.	P.O. Box 49330, Bentall P.S.	Vancouver	Placer Development Limited
Warke, William	1005 - 750 West Pender St.	Vancouver	Tiffany Resources Inc.
Waterland, Tom	P.O. Box 12540	Vancouver	Mining Assoc. of B.C.
Wagn, Dave	118 Aisek Road	Whitehorse	
White, Paul	Ste. 810, 910-7th Avenue S.W.	Calgary	Dawson Eldorado Mines Ltd.
Wilkinson, Terry	Box 484	Watson Lake	Yukon Outfitters Association

**APPENDIX C**

**MATERIAL SENT TO THE PEOPLE INVITED TO THE  
MINING SECTOR WORKSHOP**



Office of the Minister  
Box 2703, Whitehorse, Yukon Y1A 2C6  
(403) 667-5811 Telex 036-8-260

Our File:  
Your File:

April 16, 1987

Herbert Drechsler  
HDD Resource Consultants  
789 West Pender St., Ste. 780  
Vancouver, B.C.  
V6C 1H2

Dear Mr. Drechsler:

RE: MINING

I would like to invite you to attend the above YUKON 2000 workshop which will be held on May 11 and 12th at the Klondike Inn at 7:00 p.m. in Whitehorse, Yukon.

The industry workshops that took place during the fall of 1986 resulted in the identification of constraints to development of particular industries, as well as a number of options which could assist the industries. These constraints and options have now been further defined and expanded in preparation for this workshop.

A series of "economic environment" papers has been prepared also, covering the broad categories of Human, Financial, Natural and Information Resources, Structural Characteristics and Infrastructure. These will be discussed as they affect development of the specific industries.

Copies of the industry report and economic environment papers will be sent to you within the next two weeks.

Expenses incurred for accommodation and meals while you are in the Yukon will be paid according to the attached schedule. We can only pay travel expenses for delegates residing in the territory.

Please contact Sandy Sewell at our toll-free number 1-667-5955 or 667-3084 for further information and to confirm your attendance.

Y U K O N · 2 0 0 0

*Building the Future*

- 2 -

I hope you will be able to attend. Your input will be particularly important. We will be discussing the major directions for our economy. These discussions during the month of May will be the last before the draft strategy is put together.

Yours truly,

  
Tony Penikett

MEALS AND INCIDENTAL EXPENSES

1. ALL EMPLOYEES:

In Canada: The amount claimed, up to a maximum of \$38.00 Cdn. per day.

In United States: The amount claimed, up to a maximum of \$38.00 U.S. per day.

Outside Canada and United States: Current Foreign Service Directive (Federal) plus 25%.

2. INCIDENTAL EXPENSES:

In Canada: \$6.00 Cdn. per day.

In United States: \$6.00 U.S. per day.

Outside Canada and United States: (Percentage increase in Foreign Service Directive as set out in item 2 above.)

3. PARTIAL DAYS ON TRAVEL STATUS:

	<u>Within Canada</u>	<u>Within United States</u>
Breakfast	\$ 7.00 Cdn.	\$ 7.00 U.S.
Luncheon	\$ 9.00 Cdn.	\$ 9.00 U.S.
Dinner	\$16.00 Cdn.	\$16.00 U.S.

4. DISTANCE ALLOWANCE FOR PRIVATE VEHICLE: 26 cents per kilometre.



Economic Development:  
Mines & Small Business  
Box 2703, Whitehorse, Yukon Y1A 2C6  
(403) 667-5811 Telex 036-8-260

Our File:  
Your File:

April 30, 1987

Dear Participant:

YUKON 2000 Industry Papers

As a follow-up to Mr. Penikett's letter of invitation dated April 16, 1987, the YUKON 2000 staff would like to provide you with a copy of the industry paper which will be discussed at the workshop. We would like to get your reactions to the options for encouraging development proposed in the paper, and obtain a priority ranking of which options will best further the industry's growth.

A schedule of all the industry workshops is enclosed and you are invited to attend any of interest to you. If you wish to attend workshops other than the one to which Mr. Penikett invited you and you need travel assistance, please apply to the Department of Economic Development in advance.

We look forward to seeing you at the workshops and appreciate your interest in YUKON 2000.

Yours truly,

*Sandy Sewell*

*for*  
Catharine Read  
Sr. Economic Planner

encl.

Y U K O N · 2 0 0 0

*Building the Future*

# Help Shape Yukon's Future

**Y**ou are invited to participate in a series of public workshops on economic development in the territory.

The workshops will review proposed development objectives for Yukon industries.

In addition, each group will review development strategies in the areas of human resources, natural resources, research and development, financial resources, infrastructure and structural change.

## Meeting Schedule

- |                                 |                           |
|---------------------------------|---------------------------|
| • Construction and Housing      | May 4, Regina Hotel       |
| • Cultural Industries           | May 4, Klondike Inn       |
| • Hunting, Trapping and Guiding | May 6, Hellaby Hall       |
| • Manufacturing                 | May 11, Regina Hotel      |
| • Mining                        | May 11 - 12, Klondike Inn |
| • Non-wage Economy              | May 13, CYO Hall          |
| • Trades and Services           | May 13, CYO Hall          |
| • Fishing                       | May 20, Klondike Inn      |
| • Forestry                      | May 20, CYO Hall          |
| • Agriculture and Food          | May 25, Regina Hotel      |

CYO Hall - 406 Steele Street, basement of Catholic Church

Hellaby Hall - 4th and Elliott, beside Anglican Church

Regina Hotel - 102 Wood Street

Klondike Inn - 2288 2nd Avenue

**All meetings begin at 7:30 p.m.**

Residents outside of Whitehorse may be eligible for assistance to attend. Assistance must be approved by the Department of Economic Development in advance.

Discussion papers are available from Economic Development, 4th floor of the Shopper's Plaza, the Information Desk at the Yukon government administration building on Second Avenue or write to Box 2703, Whitehorse, Y1A 2C6.

For more information call 667-3084, outside Whitehorse call toll-free 1-667-5955.

## Yukon

Economic Development  
Mines and Small Business

# Y U K O N • 2 0 0 0

*Building the Future*

DRAFT

# YUKON DEVELOPMENT STRATEGY

## MINING

Y U K O N • 2 0 0 0

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**Yukon**  
Government

# Mining Strategy

A Progress Report ■ April, 1987

The Yukon's mining industry is an integral economic activity that can provide a significant contribution to the Yukon economy.

The purpose of this report is to provide information that will encourage discussion of the basic issues and options to develop the potential of the mining sector. This report builds from the previous mining workshop session held in the Yukon in October 1986. It also presents the global objectives discussed at the 1986 Fall Conference, highlights existing government programs and policies, identifies some of the constraints to growth and opportunities, and presents options that may be pursued to increase mining industry activity.

This report intends to stimulate economic and political discussion and debate and is not an analysis of the Yukon's mining industry.

## Existing Programs & Policies

### Federal (DIAND) Programs

Two pieces of legislation principally govern mining in the Yukon: the Yukon Quartz Mining Act (YQMA) and the Yukon Placer Mining Act (YPMA).

The YQMA specifies the disposition of Crown-owned minerals in the Yukon and describes procedures followed in marking and recording of claims and measuring work performance. It also describes the financial details for lease rentals, production royalties and other procedures.

The YPMA specifies the legislation governing the placer mining industry. However, instead

## YUKON 2000 GOALS

The option to stay in the Yukon

Control of our future

YUKON DEVELOPMENT STRATEGY

YUKON 2000  
Challenging the Future  
Yukon

Equality of opportunity for all Yukoners

An acceptable quality of life

of one, there are three federal acts dealing with placer mining that appear to conflict with one another at times. The three acts, each designed to protect different elements, are the Fisheries Act, which says that fish habitat must be protected, the YPMA which grants mining rights, and the Northern Inland Waters Act, which protects quality.

Coal mining, dredging and mining of quarryable materials are governed by regulations under the Territorial Lands Act.

Environmental concerns are dealt with under the territorial land use regulations made pursuant to the Territorial Lands Act (which exempts work on claims and leases acquired under the YOMA and YPMA) and the Northern Inland Waters Act and its regulations. Major works are subject to the (federal) environmental assessment review process and its (Yukon based) regional environmental review committee. In addition, a formalized Land Use Planning regime is being developed for future implementation.

*b ■ Assay Service*

Administered by DIAND, this service pays 50% of the cost for up to 10 assays per person per year.

*c ■ Exploration and Geological Services*

Administered by DIAND, this service provides geological information and supports mining exploration through geological mapping and property examinations, and the publication and sale of maps, memoirs, papers and reports.

*d ■ Drill Core Library*

Administered by DIAND, this library provides for storage of representative core intersections of important mineral deposits, as well as assistance to interpret them.

*e ■ Prospecting Courses*

DIAND and the Yukon Chamber of Mines periodically offer introductory and advanced prospecting courses (elementary geology and prospecting techniques).

*f ■ Placer Mining Services*

DIAND provides consultative services to placer miners to assist them in improving their economic and environmental performance.

*g ■ Occupational Health and Safety*

On behalf of the Government of Yukon, DIAND administers the Occupational Health and Safety Act and its regulations on mining properties. This includes safety and occupational health inspections, mine rescue training and capabilities, certification of medical fitness of miners and issues permits to qualified blasters.

*h ■ Taxation*

Corporations are subject to both federal and territorial taxes. The Yukon has low corporate tax rates - a general rate of 10%, a small business rate of 5%; no corporate capital tax; no surtax; no retail sales tax; income tax at 45% of federal rate; and, a royalty (currently 37.5 cents per troy ounce) is payable on raw placer gold exported from the territory. Under the YOMA (Section 95) royalty rates are based on profits and range from 0% to 6% on profits less than \$10,000,000 and increase 1% for each additional \$5,000,000 in profits above this figure.

The preceding list does not include all federal government programs such as EMR's geological mapping and CANMET programs.

■ Yukon Programs ■

*a ■ Exploration Incentives Program*

This program provides a rebate of 25% of eligible expenditures for designated exploration projects carried out on valid mineral properties in the Yukon - up to \$50,000 per year to a maximum of \$100,000 per property. Individuals, partnerships and companies with no income from mineral production in Canada are eligible to apply.

*b ■ Northern Exploration Facilities Program*

This program provides financial assistance for the construction of tote trails, airstrips, helicopter landing pads, small boat docks and float-plane bases. Assistance may be provided up to:

- 50% of the actual cost of the construction, or
- 20% of the applicant's expenditure on exploration or project development.

The maximum grant is \$30,000.

*c ■ Regional Resource Roads Program*

This program is designed primarily for the construction of regional access roads by government and private parties into areas with high potential for resource development. Financial assistance may be provided for up to 100% of actual construction costs to a maximum of \$500,000 per year.

*d ■ Prospectors' Assistance Program*

This program provides a contribution up to \$5,500 toward travelling and operational expenses of qualified individuals while carrying out prospecting activities in the Yukon.

The preceding list does not include all Yukon government programs that may affect mining.

■ **Economic Development Agreement** ■

The Canada-Yukon mineral resources sub-agreement comprises the following programs:

*a ■ Geological Mapping*

\$1.1 million, 1985-89. Administered by DIAND, produces 1:50,000 scale geological mapping.

*b ■ Geological Surveys.*

\$2.2 million, 1985-89. Administered by Energy, Mines & Resources, produces 1:250,000 scale geochemical survey coverage.

*c ■ Placer Mining*

\$0.6 million, 1985-89. Administered by DIAND, produces research reports on economic and environmental aspects of placer mining.

■ **Northern Mineral Policy** ■

On December 5, 1986, the Government of Canada announced a new northern mineral policy to establish the environment necessary for this industry to maintain and expand its significant contribution to the well-being of the territorial economy and northern residents. The policy will be implemented cooperatively by DIAND and the Government of the Yukon.

■ **Devolution** ■

The Minister of DIAND is committed to developing a framework for the transfer of programs including mineral management to the Government of the Yukon. The development of a mineral strategy and the Yukon Economic Development Strategy must be taken in that context.



■ **Constraints** ■

*1. Alienation of Land*

About 16% of the land in the Yukon is withdrawn from mining for purposes of national parks, native land claims and so forth. It is the concern of the industry that tenure of mining lands, and access to existing mining properties, and potential mineral areas may be eliminated or reduced by withdrawals of land for other uses. Industry fears that substantial area of land are dedicated to uses which are incompatible with mining. The total resource base of mining will be proportionately reduced and long-term regional exploration programs could be curtailed before an economic discovery is made, but after substantial investment cost have been incurred.

*2. Infrastructure*

A major concern of industry is the lack of adequate infrastructure and its cost and the uncertainty associated with cost sharing between private parties and government.

*3. Capital Availability*

Placer miners have difficulty establishing reserve positions, and therefore generally do not meet the lending requirements of banks. The nature of their business makes it difficult to obtain capital at low cost.

*4. Geological Data Base*

All of the Yukon is mapped to a scale of 1:250,000. The government has identified 176 current geological priority targets for detailed 1:50,000 scale mapping. Of these some 60 have been completed or will be by 1989. This relatively slow pace may play a part in increasing the cost of exploration in the Yukon.

### 5. *Conflicting Legislation*

Placer miners face considerable uncertainty because of overlapping legislation. Sections 31 and 33 of the Fisheries Act contain provisions protecting fish habitat and prohibiting the deposit of waste in waters containing fish. Attempts by government to develop a regime to improve environmental management of the industry have created apprehension among placer miners for the future of the industry. Currently, DIAND and the Department of Fisheries and Oceans are negotiating relief regulations under the Fisheries Act.

### 6. *Regulatory and Approval Process*

Because of overlapping legislation and a multiplicity of government agencies overseeing the industry, long lead times are required to satisfy all of the departments involved in application review processes. Lengthy delays in processing increase the cost of doing business.

### 7. *Indian Land Claims*

The lack of settlement of claims creates uncertainty with respect to ownership of northern lands.

### 8. *Labour/Power/Transportation Cost*

High power cost, whether for purchasing grid power or self-generated power, raises the cost of production. Labour costs in the north are high. Transportation also contributes significantly to the cost of production.

### 9. *Taxation*

Taxes are generally lower in the Yukon for many categories, such as income, sales and royalties, compared to other parts of Canada. However, the placer mining industry has some specific problems. For example, to increase their ability to access flow-through funds, they would like to see a broadening of the Canadian Exploration Expenses category to fit their situation. They would also like to see changes in resource allowance provisions and investment tax credits.

### 10. *Government Attitude*

Some members of the industry perceive that government does not have a positive attitude towards mining development. This perception creates some uncertainty and may inhibit mineral development.

### 11. *Competing Interests*

There is a perception that mineral development will be inhibited if restricted from the use of the resource by competing interests. (See Natural Resources Strategy for suggested methods to deal with competing land use.)



## Solutions

The following series of questions address some of the problems that constrain the growth of the industry. These questions are posed to encourage discussion about what various groups want, their priorities, how much money they would like to see spent and who would pay. All parties are encouraged to present their view so that a consensus of opinion can be included in the Yukon 2000 Strategy Paper.

#### 1. *Government Programs*

Should existing federal and Yukon government programs be modified, expanded or scrapped? How should they be changed.

#### 2. *Alienation of Land*

How can we ensure that the current resources base remains available for staking, exploration and development?

#### 3. *Infrastructure*

Should expanding the access road network be part of any future development plan? Should there be priorities in the development of infrastructure? What, if any, cost sharing arrangements should be made between government and industry?

#### 4. *Availability of Capital*

Should government consider providing financial guarantees for small operators who face difficulty raising money? Should government consider taking an equity position in such companies for providing such a service? Should advisory services be provided to small exploration companies to suggest ways to raise private funds?

### *5. Geological Data Base*

Should the government pursue its current priority to produce 1:50,000 scale geological maps of the Yukon? It will cost about \$10 million to complete all 176 maps. At what rate should they be completed?

### *6. Conflicting Legislation*

What should be done to resolve the conflicts between various legal acts that the industry currently faces regarding mining, the environment and fisheries? Where should the trades-offs between fish values and placer mining values be set?

### *7. Regulatory and Approval Process*

Does the regulatory regime and approval process need streamlining? If yes, now? At what cost?

### *8. Indian Land Claims*

Does the land claims issue inhibit mineral development? What positive actions should government take to mitigate problems? How

best can Indians and industry work together to maximize the value of the human, financial and land resources that would be created as a result of land claims settlements?

### *9. Labour/Power/Transportation Cost*

What can be done to keep operating and capital costs minimized?

### *10. Taxation*

Should government expand the CEE category to encompass many of the activities of the placer mining industry? What tax measures should be adopted to reduce mining costs?

### *11. Government Attitude*

Should government actively promote mining as a desirable economic activity for the Yukon? If yes, how?

### *12. Competing Interests*

Does sequential use of the land fit with mining land use requirements?

AGENDA  
YUKON DEVELOPMENT STRATEGY: MINING SESSION

STAGE 1: MINING STRATEGY DISCUSSION \*

Monday May 11, 1987

<u>Time</u>	<u>Activity</u>
1900 - 1930	Opening remarks by Government
1930 - 1950	Discussion of meeting format: HDD Resource Consultants
1950 - 2000	Coffee Break

Discussion Topic:  
Constraints to Mineral Development

2000 - 2100	<u>Internal Impediments</u> i) Alienation of land ii) Infrastructure iii) Capital availability iv) Geological database
2100 - 2110	Coffee Break
2110 - 2200	<u>Legal Uncertainty</u> i) Conflicting legislation ii) Regulatory and approval processes iii) Indian land claims

STAGE 1: MINING STRATEGY DISCUSSION, continued

Tuesday May 12, 1987

<u>Time</u>	<u>Activity</u>
0900 - 1020	<u>Cost of Mining</u> i) Labour ii) Power iii) Transportation iv) Taxation
1020 - 1030	Coffee break

\* HDD Resource Consultants Group Leader

STAGE 1: MINING STRATEGY DISCUSSION, continued  
Tuesday May 12, 1987

<u>Time</u>	<u>Activity</u>
1030 - 1100	<u>Public Perceptions</u> i) Government Attitude  Discussion Topic: Government Actions to Accelerate Mineral Development: Resolve Constraints and Competing Interests
1100 - 1200	<u>Resolution of Constraints</u> i) Government Programs ii) Alienation of Land iii) Capital Availability iv) Geological Database v) Conflicting Legislation vi) Regulatory and Approval Process vii) Indian Land Claims viii) Labour/Power/Transportation ix) Taxation x) Government Attitude xi) Competing Interests
1200 - 1300	Lunch Break
1300 - 1350	<u>Resolution of Constraints Cont'd.</u>
1350 - 1400	Coffee Break

STAGE 2: CROSS-SECTORAL WORKSHOPS \*\*

<u>Time</u>	<u>Activity</u>
1400 - 1600	<u>Group Discussion of Cross-sectoral Reports:</u> i) Natural Resources ii) Human Resources iii) Financial Resources iv) Information Resources v) Infrastructure Resources vi) Structural Characteristics Resources

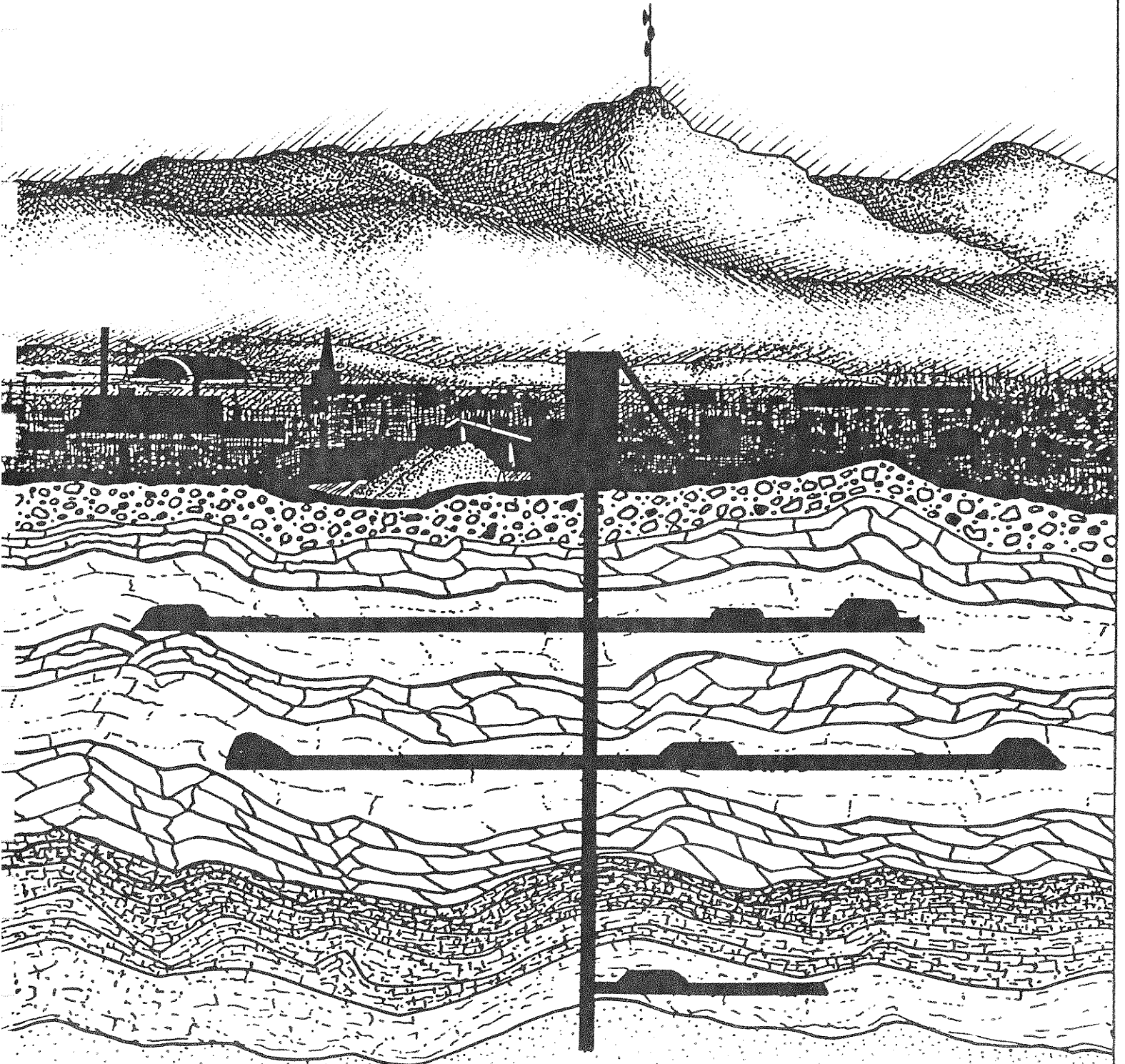
\*\* Yukon 2000 Officials Group Leader



Indian and Northern  
Affairs Canada

Affaires indiennes  
et du Nord Canada

# NORTHERN MINERAL POLICY



REPORT 3

OCTOBER 1986 MINING INDUSTRY STRATEGY PAPER

SECTORAL  
REPORT

# YUKON DEVELOPMENT STRATEGY

## MINING

Y U K O N · 2 0 0 0

*Building the Future*

**Yukon**  
Government

YUKON 2000

**SECTORAL REVIEW - MINING**

October 17, 1986

Sectoral Review  
Mining

1) Historic and Existing Sector Description

The recent history of Yukon (the last 100 years) centers around mining. Beginning with the Klondike Gold rush mining has been responsible for much of the development of the Yukon. The exception was probably the war period which saw the building of the Alaska highway. The wealth produced by Yukon's relatively rich deposits (largely precious metals) has resulted in some feats of engineering by industry that we can be proud of. Among these are the White Pass and Yukon Railway, an early coal fired power generating system and power grid in the Dawson area (which as later followed by hydro power), the 70 (?) mile system of ditching and piping to bring water to the placer miners south of Dawson, the (then) largest wooden hulled dredge in the world, and a system of river boat shipping.

After the second world war the pace of hardrock exploration and development picked up and hit a boom period with the Clinton Creek Asbestos, Whitehorse Copper, and Anvil Mines coming into production. Placer mining which had continued to decline slowly since the first Klondike boom was over, also hit a boom in the late 1970's as gold prices skyrocketed. During the "boom" years (1977 to 1981) mineral production was valued at an average of \$250 million (market value of metals).

With the 1982 depression and drop in metal prices the generally "fat" mining companies throughout Canada had to trim costs dramatically to stay alive or face shutdown. In Yukon the hardrock mines with their incrementally higher labour costs, transportation costs, and other operating

costs either had to shutdown (Cyprus Anvil, and United Keno Hill Mines) or had to trim costs significantly and rework operating plans to break even (re-opened United Keno Hill Mines). During the lean years of 1983 to 1985 placer mining alone accounted for over 3/4 of the value of mineral production of about \$60 million.

At present mining activity is again increasing but not so much because of strengthening metal prices but because of a decrease in operating costs (Curragh's Faro mine, and United Keno Hill Mines). Most new mines (or potential new mines) such as Mount Skukum are focusing on gold. With Skukum in operation and other possibilities in sight (Ketzka River, Dawson Range) Yukon's mining industry will be getting more diversified and stronger. The very recent strengthening of precious metal prices and the bringing of the Curragh Faro mine into full production should increase mineral production value in the coming years, again approaching the high levels of previous "boom" years.

## 2) Significance to the Yukon Economy

To put the contribution of mineral production in Yukon into perspective the share of income to Yukon from mining in terms of total territorial income (based on income multipliers from the Yukon input-output table) in 1981 was around 40%. In 1985 in its depressed state it was about 12%. These figures do not include the additional benefits from exploration and development activity. Clearly mining is a major contributor to the Yukon economy, and will remain so for the foreseeable future.

## 3) Constraints to Growth by Relative Importance

### (a) Within Yukon

- (1) The present limited access to the land base for exploration and development restricts these activities. It has been perceived that government attitudes towards the building of access roads are somewhat negative.
- (2) Other types of infrastructure are also very important to mining. Without the investment of public funds in infrastructure in the past we might not have had the mining industry we do today. Roads and airports with appropriate specifications depending on their use, are needed. Over specification in the past has increased estimated costs and reduced building activity.
- (3) High power costs, whether for purchased grid power or self generated power, raises operating costs. This has the effect of making otherwise economic projects uneconomic or reduces the reserves that can be economically treated.
- (4) Various aspects of government have been said to be an impediment to development. Concerning the environment several pieces of legislation conflict or overlap, and this has had a negative effect on investment. The lack of policy concerning mining has also received criticism. Examples cited include the long lead time required to satisfy all of the departments involved in application review processes. The lack of a positive attitude towards economic development among bureaucrats is perceived to be due to a lack of policy.

Other concerns expressed included nervousness over

possible changes in legislation with devolution, and the lack of public accountability of the Regional Environmental Review Committee.

- (5) The high cost of labour adds significantly to operating costs. High levels of wages and benefits as well as the limited size of the labour/talent pool are seen as factors in this. Management, government, and labour have all contributed to the high expectations currently prevalent in Yukon.
- (6) High capital costs due to increased transportation costs, labour costs etc. all play a part. Smaller projects (or projects by small companies) are often very sensitive to capital costs.
- (7) Land withdrawn from staking (and therefore from exploration and mining activity) in Yukon is the highest of any province or territory (figures show as much as 16.5%). This has created the impression that mining is unwelcome.
- (8) The geological mapping of the Yukon is proceeding at a relatively slow pace. Such information is valuable to prospectors and companies alike.
- (9) Limited road access or poor quality roads servicing producing operations hamper the movement of supplies in and products out. Higher transportation costs translate into higher operating costs.
- (10) There is nervousness or unease in the mining community about the unsettled nature of land

claims. The question that is asked is "what will the cost of a settlement be to us?" The Coolican approach would be very unwelcome.

- (11) The terrain of Yukon makes the possibility of fly in - fly out operations more difficult. Improved airport navigational aids are urgently needed if such operations are to be established.
- (12) The native perception of mining also influences exploration - development decisions. Their suspicion of development because of questions about how they will be affected and fit in can be a discouragement to investment.
- (13) A generally negative public perception of mining has also affected how the politicians react to mining issues.

(b) Outside Yukon

- (1) Currently the organizations that control flow-through share funds have significant control over where the money is spent. In this regard we are in competition for funds with the rest of Canada.
- (2) We are also in competition for exploration and development funds that companies control themselves. The relative ease, cost, and apparent desirability of exploring and mining elsewhere whether real or not, affects the funds available for Yukon projects.
- (3) The world market prices of metals or mineral products has an effect on the profitability of

Yukon projects, especially considering the higher operating costs encountered here.

(4) There are also tariff and non-tariff barriers in the rest of the world (particularly third world countries) that have an effect. In some countries mines have lower operating costs (lower labour costs as well as lower building, safety and environmental standards), while in others there are import tariffs that protect their own industry. In still other countries production is geared to foreign exchange earnings, thus as world prices decline production is pushed up.

(5) There is also investor ignorance about the mineral potential in Yukon, resulting in less than a fair share of funds available to Yukon based on its mineral potential.

#### 4) Opportunities to Reduce Constraints

(a) Government must ensure that economic development is a very high priority in all branches of the civil service. This includes ensuring that a positive attitude toward development prevails and that there are deadlines in place for dealing with various applications.

(b) Government financing of the required infrastructure would be a significant boost to the industry. Road access to towns and to mining developments, with the appropriate standards, can significantly reduce supply costs, construction costs and product transport costs.

In developing upgraded roads there must be consideration for the future not just the present. The

provision of low standard exploration roads would reduce the transport component of exploration costs and attract new investment money. These roads could be upgraded as new mining operations are established.

The provision of airport facilities with modern navigational aids can reduce the capital required for new developments by eliminating the need for new mining towns. This also allows the residents of existing towns to benefit.

The power components of both capital and operating costs for mines are significant portions of the respective totals. Assistance with, or the provision of, reasonable cost power by extension of the current grid or by other means can significantly reduce these (capital and operating) costs. This has the effect of expanding reserves that can be mined and processed at a profit.

Communications costs are also significant and any aid or provision of these would be of benefit.

- (c) The government must ensure that the resource base is available for staking, exploration, and development by keeping withdrawals for various reasons to an absolute minimum.
- (d) Government and industry should ensure that the market system is working. The government can assist by dispensing market information (suppliers may be reluctant) and knowledge which encourages competitive pricing. It was felt that government could encourage more competition in pricing (e.g. for fuels) by going out further a field in their tendering prices.

- (e) Adequate resources should be made available to continue and expand the program of geoscience data gathering, particularly 1:50,000 scale geological mapping. This information is very useful to prospectors and exploration crews, as is the geochemical work being done by the GSC.
- (f) The regulatory regime must be streamlined and simplified. This will help reduce the complexity resulting from overlapping statutes and create an atmosphere of certainty. A "one window" approach should be developed as devolution proceeds and more control falls within YTG jurisdiction.
- (g) Stimulation programs now in place should be continued. In addition to the important financial aid, these provide the realization by those who control exploration and development funds that Yukon has a positive attitude towards mining. Government support of mining is an important factor in the attraction of outside investment.
- (h) A more pro-active approach must be taken in environmental issues that affect our mining industry. Implementing recommendations of the Placer Mining Task Force Report is one example, and industry involvement in the development of restoration and reclamation requirements is another.
- (i) Some effort could be expended by all parties involved to dispel the myths about Yukon's terrain and climate. To bring perceptions in line with reality would help the industry. The addition of infrastructure further increases the activities of exploration and development.

- (j) Government wage and benefit scales could be moderated to come back into line with private industry once again. Labour cost are to some degree a reflection of the cost of living, and as this is moderated by other measures, all parties should expect to effect reductions in labour costs.
- (k) Companies should put more effort into the recruitment of people who would be happy in the north rather than pay higher wages and benefits to entice "Southerners" up here with resulting high turnover rate. Along with this a greater effort should be made to develop the locally available labour pool through training or other means. These people would represent a stable work force, but this may require some adjustment in labour relations philosophy. Government could help fund industry and (trade) unions to accomplish this training.
- (l) When considering or encouraging growth or expansion, the government agencies or departments most directly involved should consider the trends and condition in the rest of the country (and the world) as Yukon cannot live or grow in isolation.
- (m) It has been suggested that government might consider taking a limited equity position in private developments in return for providing infrastructure or financial guarantee. It was felt that government representation on a board of directors might also help cut through "red tape" during project development. However, there is no consensus on this issue.

5) Other Options Available for Increasing Sectoral Activity.

- (a) Other jurisdictions could be lobbied to reduce their participation in some parts of the industry, such as involvements in the financing of large ventures (smelter upgrading, very large projects) and the "bidding" for plant locations. This type of activity generally puts the smaller and more northerly operations at a disadvantage.

While this option is inconsistent with some other suggestions it is an available option.

- (b) Increased government participation with industry in practical mining research, could benefit mining in Yukon. The Economic Development Agreement (EDA) studies are an example of this participation.
- (c) Government assistance in accessing capital for financing purposes - especially smaller operations - would be of great assistance.
- (d) Private industry and government could jointly advertise to encourage continued and increased "outside" investment. This is important as most of the money for exploration and development comes from the "outside".