



Minto Mine
2015 Annual Socio Economic Monitoring Report

Prepared by:
Minto Explorations Ltd.
Minto Mine
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1 Introduction

This report has been prepared by Minto Explorations Ltd., a subsidiary of Capstone Mining Corp., in regards to the Minto Mine property (Minto), located in central Yukon. The following report summarizes the results of the socio economic available data at Minto for 2015, as required by the Socio Economic Monitoring Program framework.

The Minto Mine Socio-economic Monitoring Program (Minto Explorations, Yukon Government, Selkirk First Nation, 2014) is a program that has been developed in conjunction with Selkirk First Nation and the Yukon Government to monitor the socio economic effects of Minto Mine on SFN. The primary components of the program include; the mine providing information relating to SFN (e.g. employment data, training information etc.), a community based survey (conducted by SFN and YG), and information from SFN and YG relating to Pelly Crossing or SFN. The information from all of those components is then used in the preparation of an annual report produced by a third party consultant.

Not all of the data that has been requested from historical records is available. Going forward Minto will collect the required and necessary data in order to provide more accurate information for the bi-annual reports. Minto has given best efforts to collect and obtain historical data and going forward accuracy of information and data collection will continue to be further refined.

1.1 Factors at Minto that may have a socio-economic impact

The Minto Mine is an open pit and underground copper mine located 240 kilometres north of Whitehorse in central Yukon, Canada. Minto is located on Selkirk First Nation Category "A" land.

An initial cooperation agreement (CA) between Selkirk First Nation and Minto was agreed upon and signed in 1997, and was later amended in 2009. The agreement serves as a formal document that covers governance, business partnerships, training and employment, and royalties of the Minto Mine on Selkirk First Nations land.

The community of Pelly Crossing is located along the Klondike Highway on the banks of the Pelly River, 282 kilometers northwest of Whitehorse. Pelly Crossing is home to SFN people which includes 336 people (2011 census) 305 which are first nation. The average income of population aged 15 years and over in Pelly Crossing is \$26,585 with the average house price being \$274,106 (2011 National Household Survey). The median population age of Pelly Crossing is 38 years of age (2011 census).

The city of Whitehorse is the capital of Yukon and is the largest community in the territory with a population of 27,889 (Yukon government website) or 76% of the total population.

The remote location and access to Minto dictates a fly in fly out (FIFO) camp operation. In Yukon, there is a general shortage of available professional and skilled workers. The location also is impacted by low amount of manufacturing of goods locally/ locally sources supply

The advanced and post-secondary education and training available in the Yukon is fairly limited and there are a lack of local candidates possessing mining careers related experience and educational backgrounds.

Recruitment of local candidates is also impacted by low literacy rates and shortage of candidates possessing valid driver's license.

Other factors that may have impacted socio economic items include:

- Implementation of socio-economic monitoring program
- Regulatory delays
- Delays in receiving Water Use Licence
- Declining copper prices

2 Minto and Contractors Safety Statistics

The below table (Table 2-1) summarises the safety statistics for Minto Employees and site contractors for 2015. The total incidents include minor first aids treated at the site, any property damage, near-misses that could have resulted in an incident, medical aids (where treatment is required off site) and lost-time accidents where a worker would be unable to return to their duties and had to miss work. In 2015 there were 0 lost time accidents, all of which involved contractors on site.

2015 Total incidents	Minto	Contractors
122	72	50

3 Employment

Minto utilizes a preferential hiring recruitment approach as outlined in the Cooperation Agreement. Our preferential hiring involves the following –positions are first advertised and offered in the following order of priority, to SFN, OFN, Yukon, and Western Canada.

3.1 Employment Income and Distribution

The following sections outline information and figures that demonstrate salaries are higher for those who are in major centres and/or employed outside of Yukon. Potential reasons for this for Minto include:

- 7 out of 10 managerial staff live outside Yukon
- The majority of professional, supervisory and designated staff are residents of the rest of Canada

Other factors for this could potentially be linked to lack of candidate pool in Yukon of professional and managerial experienced staff. Further the post-secondary education requirements for these roles cannot be obtained in Yukon.

The Company operates a fly in fly out (FIFO) camp model which is attractive to employees who can stay in their current hometowns and not have to move to Yukon. This approach has become somewhat of a standard practice for the mining industry in Western Canada, our peer group, and Minto operates in a fashion to be competitive in this market. Employees expect a FIFO in a remote mining location.

Major centres of Whitehorse and Rest of Canada have the highest income. Reasons for this could include a larger candidate qualified candidate pool. Outlying areas including Pelly Crossing and Rest of Yukon have less availability of qualified candidates for skilled, professional and managerial positions.

3.1.1 Minto - Average employment income by Residency

Minto	Pelly Crossing	Whitehorse	Other Yukon	Canada	Total
Average Hourly Rate	\$26.51	\$29.36	\$31.53	\$38.22	\$33.13
Average Gross Annual Income - for Salaried employees	\$-	\$87,542.38	\$69,107.04	\$102,822.37	\$97,172.04

3.1.2 Contractors - Average employment income by Residency

1-Jan-16	Residence	Pelly Crossing	Whitehorse	Other Yukon	Other Canadians
Average Hourly Rate	Pelly	\$27.37	\$28.60	\$28.49	\$29.66
	Dumas	\$-	\$19.00	\$19.00	\$21.94
	Sodexo	\$16.15	\$16.36	\$15.76	\$17.75
Average Gross Annual Income - Salaried employees	Pelly	\$-	\$190,000.00	\$-	\$98,900.00
	Dumas	\$-	\$-	\$-	\$137,598.15
	Sodexo	\$-	\$-	\$-	\$69,813.12

Potential contributing factors include:

- Dumas Contracting is located in eastern Canada indicating hiring from a preferred talent pool in this location
- Pelly Construction is located in Whitehorse, YT and a majority of staff are located in Whitehorse.
- The majority of Sodexo employees are entry-level non-skilled workers. Sodexo has high turnover rate for most of their remote staff and turnover at Minto for 2015 Sodexo was 65.6%.

3.1.3 Minto and Contractors – Annual and cumulative total employee income by Group

2015 total gross income	Pelly Crossing	Whitehorse	Other Yukon	Canada	Total
Minto	\$521,885.92	\$4,403,931.20	\$1,238,278.37	\$10,855,370.96	\$17,019,466.45
Pelly	\$323,179.00	\$2,030,032.47	\$616,291.26	\$1,179,820.38	\$4,149,323.11
Dumas	\$32,387.33	\$122,220.03	\$135,054.81	\$8,180,693.05	\$8,470,355.22
Sodexo	\$15,569.56	\$689,896.80	\$194,510.32	\$247,704.77	\$1,147,681.45
Total	\$893,021.81	\$7,246,080.50	\$2,184,134.76	\$20,463,589.16	\$30,786,826.23

3.1.4 Minto – Northern Employment by Group

	SFN	Yukon FN	OFN	Other Yukon	Other Canadians	Total
Minto	8	49	3	41	88	162

3.1.5 Minto - Employment by Residency

	Pelly Crossing	Whitehorse	Other Yukon	Canada	Total
Minto	8	49	14	91	162

3.1.6 Contractor - Employment by Residency

	Pelly Crossing	Whitehorse	Other Yukon	Canada	Total
Pelly	7	39	13	16	75
Dumas	0	1	1	40	42
Sodexo	2	14	3	7	26

3.1.7 Minto – 2015 New Hires by Group

	SFN	OFN	Other Yukon	Other Canadians	Total
Minto	9	8	20	17	54

3.1.8 Minto - Employment by Job Categories and Group

	SFN	Yukon FN	Other Yukon	OFN	Other Canadians	Total
Management	0	0	3	0	9	12
Professional	1	1	15	1	32	50
Skilled	1	3	7	1	38	50
Semi-skilled	6	13	15	1	8	43
Entry Level	4	1	1	0	1	7
TOTAL	12	18	41	3	88	162

3.1.9 Minto and Contractors – Annual and cumulative total employees by group

	SFN	OFN	Other Yukon	Other Canadians	Total
Minto	9	8	20	17	54
Pelly	4	14	22	14	54
Dumas	3	3	2	24	32
Sodexo	2	4	6	3	15

3.2 Results of voluntary exit surveys

In 2015 Minto had 18 salary and 18 hourly for a total of 36 employees voluntarily leave employment which represents a voluntary turnover rate of 21.42%.

The results of voluntary exit surveys indicate the following main reasons for resignations:

- Family reasons and/or to be closer to home
- Enhanced opportunity

4 Business

As part of Minto and SFN's cooperation agreement there is a requirement for the company to provide preferred opportunity notification to SFN to negotiate and potentially be awarded a contract to supply the requirement. SFN has developed partnerships with a number of Minto's vendors for which the details of financial benefit Minto is not privy to. As such, this section summarizes expenditures by the company that is the primary vendor and does not account for any SFN proportional expenditures as a result of those partnerships.

In 2015, Minto and SFN worked jointly to establish new or maintained contracts to ensure involvement from SFN and support our First Nations partners. The contractual arrangements highlighted below represent the majority of the opportunities that SFN and Minto share with service providers. As well as financial gain, SFN also does benefit from employment opportunities on some contracts.

- Borealis Shuttle – Pelly Crossing Shuttle Service-SFN Summer Students
- Capital Helicopters- Helicopter Support
- Driftwood Drilling- Exploration Drilling
- Dumas- UG Mining
- Dyno Nobel Canada- Blasting supplies and services
- Glacier Water Services- Water Hauling
- Manitoulin Transport- Freight Hauling
- Northern Vacuum Services- Vacuum Truck Rental
- Nuway Crushing- Crushing Services
- Parkland Fuel- Fuel Supply
- Pelly Construction- 988 loader rental
- Pelly Construction- Mining Services
- Selkirk Development Corp- Office Lease
- Sodexo- Catering Services
- Standard Bus- Bussing of Staff/Contractors
- Tintina Air- Secondary Air Support
- Yukon Inn- Employee lodging

The six rights of procurement must be met in selection of such vendor relationships.

- Right Materials (to fill need)

- Right Place (Yukon preference)
- Right Quantity and Quality (High quality and ability to supply)
- Right Supplier (Service, technical and aftermarket support, value added service)
- Right moment (product available when needed)
- Right price (competitive commercial price)

In total Minto spent \$36,144,688 on Yukon vendors in 2015. This represents 37% of total spend that stayed in the Yukon, supporting local business and developing partnerships for long term mutual benefit. Minto selects the appropriate local vendors based on vendors that meet selection criteria that support Minto’s corporate social responsibility. Such partnerships are built on transparency, human rights and labor compliance, supplier status, financial, geographical, and environmental compliancy. The framework for successful local suppliers is based on common shared goals, continuous improvement, and vendors that support Minto’s policies and procedures.

In addition to support of our First Nations partners, Minto also strives to support Yukon based companies and service providers based on ability to service our needs and meets commercial acceptance criteria. In analyzing a business for suitability Minto follows best practice guidelines and the six rights of procurement in selecting potential suppliers.

Minto will continue to maintain and increase its spend with local suppliers as they invest in supporting the mining industry and Minto is committed to sustainability in developing the relationships for long term mutual benefit.

4.1 Mine Capital and Operating Expenditures

Indicator #33: Minto Explorations operations & capital expenditures by group					
		Pelly Crossing	Other Yukon	Canada	Total
2015	Capital expenditures	\$ 46,367.05	\$ 1,681,397.89	\$ 7,860,741.95	\$ 9,588,506.89
2015	Operating expenditures	\$ 2,474,960.35	\$ 53,120,523.53	\$ 40,572,736.12	\$ 96,168,220.00

4.2 Yukon business names by group

See attached **Appendix “A”** noting all Yukon Business Names by group. Note that not all business are captured due to some expenditure by employees and reimbursed through expenses and all contractor purchased items.

4.3 Minto Royalty Payments

Indicator #36: Minto royalty payments				
		SFN	Yukon	Total
Minto Royalties Paid 2015		\$	\$	\$
Gravel Royalties				-
Net Smelter Royalties		1,773,906.89		1,773,906.89
Quartz Mining Act Royalties		148,229.62		148,229.62
Total		\$ 1,922,136.51	\$ -	\$ 1,922,136.51

4.4 Minto property tax payments and other fees

Indicator #37: Minto property tax payments and other fees					
	SFN	Yukon	Other Canada	Other	Total
Minto Fees & taxes Paid 2015	\$	\$	\$	\$	\$
Land Leases	\$ 81,491.33				\$ 81,491.33
Property Taxes		\$ 290,615.98			\$ 290,615.98
Landing Fees	\$ 15,000.00				\$ 15,000.00
Trappers' Compensation	\$ 10,000.00				\$ 10,000.00
Skagway Municipal Taxes				\$ 49,547.37	\$ 49,547.37
Total	\$ 106,491.33	\$ 290,615.98	\$ -	\$ 49,547.37	\$ 446,654.68

5 Capacity, Training and Education

Minto, working with our major contractor partners, supported many different capacity building, training and educational initiatives in 2015. Through a combination of on-the-job training and mentoring, combined with sponsoring apprenticeships, pre-apprenticeships and other educational initiatives, Minto worked hard in 2015 to create a workplace that enhances our current employees skills and also supports the ongoing development towards a more advanced local labour force.

5.1.1 Selkirk First Nation and Other First Nation specific training in 2015

Heavy Equipment Operator training

- In 2015, Minto, working with our major contractor Pelly Construction, delivered an introductory Heavy Equipment Operator SFN citizens. Minto supported this initiative by providing camp accommodations and food, safety training (on-the-job) and realistic job challenges, and job previews to SFN citizens. Pelly Construction provided the on-the job HEO training and certification. These initiatives not only build capacity in the local SFN population but they allow our operation the advantage of providing a trial period, or pre-screen on potential future employees for the Mine.

Intro to Mining Program

- Again, Minto working with our Major Contractor Partners, supported ongoing training opportunities for new First Nations workers entering the Mining sector. This was achieved by working through the Yukon College partnership with YMTA in offering the Introduction to Mining Program. In the early part of 2015, a delegation of these trainees attended the Mine site where they were hosted on different tours of our operation to see an active working mine, both open-pit and Underground.

Pre-Apprenticeship training

- Minto is helping to sponsor one SFN student in completing pre-apprenticeship study requirements in partnership with Yukon College (Carpenter)

Apprenticeship training

- Minto is currently sponsoring one SFN student in apprenticeship training (Warehouse Parts person) and this employee has just finished his level 2 training within that program of study.
- Additionally Minto is currently sponsoring another OFN within the Millwright Apprenticeship program, and this employee is working on his level 3 Millwright apprenticeship.

HEO Training

- In 2015, Minto, working with our Selkirk Employment Liaison Officer, selected, promoted and is currently training one SFN employee within our Site Services department as a Heavy Equipment Operator. This on-the-job training has focused heavily on safe work practices and environmental (fueling) protection and procedures.

Environmental Monitor-in-Training; Two positions

- Although 2015 did not result in Minto being able to fill these two positions with SFN citizens, due to a lack of Drivers Licenses for the candidates who applied, Minto has taken steps to mitigate this systemic barrier by working with our Selkirk Employment Liaison Officer to potentially consider sponsoring Drivers education training in 2016. Minto was successful in hiring two OFN employees for these positions.

6 Cultural Well-being

Minto's approach to community investment is based upon opportunities to further build and maintain our social license, maintain good relationships with our partners and maintain a local presence and good reputation in the communities where we operate and where our employees live and work. The goal of this is to strengthen accountability and working partnerships with stakeholders while providing a foundation to understand and consider the needs, opinions and interests of the community.

Minto employs several methods of community engagement with different levels of involvement from the community and other stakeholders. These methods include formal and informal ways that are best suited for the various stakeholders. While Minto currently employs many different engagement methods, they are largely utilized in an ad hoc way. In the absence of signed, guiding document the current general strategy is that management reviews ways we engage and uses management best efforts and discretion for methods of engagement.

A community engagement plan was prepared and signed off by Minto management in 2015. A method of engagement and frequency table was prepared and presented to Selkirk First Nation Chief and Council.

Examples of community and cultural engagement initiatives include the following:

- Fort Selkirk educational tours with Selkirk citizens and Minto employees and contractors
- Sports Sponsorship
- Christmas Turkey Distribution
- High school Bursaries, and attendance by Senior Minto Management at Graduation ceremonies.
- Selkirk First Nation Elder's workshops held at the Mine site, whereby Minto employees and Contractors get to participate in traditional cultural activities, such as beading workshops, birch bark crafts and traditional sewing.
- Traditional singing and dancing performances – Minto hosted Selkirk First Nations Dancers and drummers in 2015, on two separate occasions, including Juno award winning traditional musician Jerry Alfred. These performances are well received by employees here at site.

In 2015 Minto spending included the following designed to enhance and protect SFN cultural and community wellbeing;

- \$500 provided to each of the 3 SFN graduating students in 2015
- \$1,000 donated for food and drink as part of the 2015 Graduation ceremonies.
- \$7,186 worth of turkeys, hand delivered to each home in Pelly Crossing for Christmas
- \$1,200 to support the Yukon special Olympics
- \$1,000 contribution to Yukon Fish & Game Assoc. to support Outdoor Education Camps

In 2015 Minto continued to support several sporting and recreation events and organizations including Dog Powered Sports Association Cinnamon Bun Run dog sled race, Yukon Indian Hockey Association's Native Hockey Tournament, Glacier Bears Swim Team and the Yukon River Quest Paddling Race. Minto also sponsored the Yukon Learn- PGI Golf Tournament which raised money to help improve literacy across the territory.

Minto also continued to support the primary industry event in the territory - the 2015 Geoscience Forum and Trade Show which is the territory's largest conference and industry event. We also supported the Yukon Chamber of Commerce. Our largest and most notable donation was the \$10,000 contribution to the Yukon Hospital Foundation's Festival of Trees events which raised money to upgrade Whitehorse General Hospital's medical imaging equipment and advancing medical technology.