

ANNUAL REPORT

2012

Yukon Minerals Advisory Board



Message from the Chair

The Yukon Minerals Advisory Board (YMAB) 2012 Annual Report outlines the collective recommendations of the board to advise Yukon Government regarding the challenges and the opportunities facing the territory's mineral industry today.

As YMAB Chair, I am pleased to put forth the board's perspective to help the mineral industry achieve continued competitiveness and sustainability, which in turn supports the quality of life Yukon residents enjoy and reinforces the strength and success of all economic sectors.

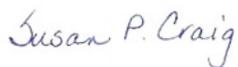
This year's YMAB Annual Report presents a 'portrait' of the territory's mineral industry over the past decade and highlights some key events and legislative amendments that have shaped its course and influenced its current status including:

- The groundbreaking delivery 40 years ago of *Together Today for Our Children Tomorrow* by Yukon First Nation leaders and visionaries to the Prime Minister of Canada;
- The 20th anniversary of the signing of the *Umbrella Final Agreement*;
- Yukon's Devolution from Canada; and,
- The enactment of the *Yukon Environmental and Socio-economic Assessment Act (YESAA)* in 2003.

YMAB proposes that this is the year to 'take stock' of how the industry has evolved over the past decade and to evaluate what actions remain to be undertaken in order to support the industry during this current period of global investment trepidation and increasingly competitive environment for mineral exploration and development.

YMAB recognizes the significant contributions that Yukon metals, minerals and mining expertise make to the foundation of social and economic sustainability in the territory and we look forward to working with Yukon Government in the year ahead.

Sincerely,



Susan P. Craig
YMAB Chair

Overview

Established in 1999 via Executive Council Order under the *Economic Development Act*, the members of YMAB are committed to the board's legislated mandate to advise the Minister of Energy, Mines and Resources on matters related to mineral development in the territory.

YMAB is the only legislated board in Canada that provides advice to a territorial or provincial Cabinet Minister and is encouraged by the evolution of the industry over the past 10 years.

Highlight's of the mineral industry's contributions to the territory are summarized in the following table:

Yukon Quartz Mining Industry	2002	2012
Exploration Expenditures	\$5 million	\$146 million
Development Expenditures	< \$1 million	\$98 million
Producing Mines	0	3
Hard Rock Mineral Production Value	\$46 million	\$450 million
Mine Employees	0	960
Yukon Placer Mining Industry	2002	2012
Gold Production	68,000 oz	52,000 oz
Gold Production Value	\$21 million average price \$310/oz	\$95 million average price \$1832/oz

Selected highlights of YMAB's recommendations over the past decade and Yukon Government's responses are included in the following table:

Item	Year	Recommendation	YG Response
Regulatory	2003	Support for development of new Placer Authorization .	In 2006, establishment of new Placer Authorization.
		Address complexity and uncertainty of permitting process in Yukon.	In 2004, the formation of an integrated permitting management process with Deputy Ministers directly accountable for major projects (assignment of professional coordinators and technical experts).
Regulatory (Pre & Post-YESAA)	2004	Development of New Reclamation Policy Framework , Removal of Uncertainty – related to long-term project planning and setting the groundwork for flexibility in security requirements while protecting the Yukon from future liability.	Development of a Mine Site Reclamation and Closure Policy for hard rock mines after extensive consultation (in place January 2006). YMAB endorsed the policy noting it provides a "clear and consistent approach to mine closure."
Legislation	2007	Miners Lien Act Reform - to reflect modern standards and to make industry more competitive.	Act Revision completed in 2008.
		Quartz Mining Act Reform (Royalties) – to make Yukon competitive with other jurisdictions.	Act Revision completed in 2008; regulations ensure revenues from mining industry are reinvested in Yukon communities.
Regulatory (Post-YESAA)	2010	Coordination of YESAB and Yukon Water Board .	Working group formed between Energy, Mines & Resources, Yukon Water Board, Environment and Development Assessment Branch (ECO). Formed Major Mine Coordinating Committee. Licensing Improvement Process Project was undertaken.
Resource Revenue Sharing	2010	YMAB encouraged YG to negotiate with Canada to achieve a more equitable resource revenue sharing arrangement for Yukon First Nations and YG to ensure direct net benefits remain in local and regional community.	In 2011, Canada agreed to a revised arrangement, which ensured more royalty revenues stayed in Yukon. In 2012, discussions lead to a MOU and an agreement between YG and Yukon First Nations for First Nations to receive more of this royalty.

YMAB is encouraged by the positive developments in Yukon's mining and exploration industry over the past year and commends Yukon Government on its support and role in this progress; however, the industry continues to face a number of serious challenges.

In this year's report, YMAB has chosen to address three key concerns that continue to hinder the success and sustainability of the industry and review them from the perspective of 'what has been done' over the past decade (as highlighted in the preceding table) and 'what remains to be undertaken' to help ensure that the Yukon continues to be one of the top mining and exploration jurisdictions in the world.

These three key concerns encompass:

- Certainty**
- Sustainability**
- Government Relations**

Certainty

Harmonization

As recommended by YMAB in its 2010 Annual Report, the board is encouraged by the work of the Major Mine Coordinating Committee to provide strategic direction to the management and administration of active mine licenses.

In addition, the formation of a working group in 2010 to help better coordinate the Yukon Environmental and Socio-economic Assessment Board (YESAB) and the Yukon Water Board (comprised of Energy, Mines and Resources, Environment, the Yukon Water Board and the Executive Council Office Development Assessment Branch) is positive.

More progress is required with these organizations, however, to harmonize their activities and meet the increasing demand for project assessment and licensing.

YMAB firmly recommends that Yukon Government remain diligent in its work to address regulatory uncertainty by clarifying the roles and jurisdictions of YESAB, the Yukon Water Board and Energy, Mines & Resources.

YMAB also recognizes that there is significant pressure on First Nation governments regarding their participation in the YESAA process. **YMAB encourages Yukon Government to support Yukon First Nations in their requests for financial support from the federal government so that they may more effectively participate in YESAA reviews.**

As recommended in the YMAB 2011 Annual Report, these issues must be resolved as large investment funds continue to demonstrate concerns regarding advancing projects through the Yukon's environmental assessment and permitting process in a timely manner.

Land Use Planning

As Yukon Government's four-month Peel Watershed Regional Land Use Plan public consultation period concluded in late February, YMAB commends the government for placing emphasis on the comments that were submitted by Yukon residents and companies working in the territory.

YMAB supports Yukon Government in its efforts to modify the *Final Recommended Peel Watershed Regional Land Use Plan* and appreciates the government's recognition of industry's socio-economic contributions to the region and to the territory, which were inadequately reflected in the Peel Watershed Planning Commission's process and recommended plan.

YMAB encourages the Yukon Government to remain firm in its position regarding the *Recommended Peel Watershed Land Use Plan* so that a final plan can be achieved that accommodates a variety of sectors and land users in the region – including mineral exploration and development.

The Dawson Land Use Planning Commission has commenced its work and five more land use plans in the territory have yet to begin the process.

YMAB recommends that Yukon Government develop a territory-wide policy for land use planning that would clearly identify government's objectives for socio-economic development and set thresholds for the conservation and protection of Yukon's lands.

YMAB also encourages Yukon Government to re-examine the mandate, direction and parameters of land use planning commissions to help ensure a balanced approach to the remaining land use planning processes.

Energy and Infrastructure

As emphasized in the YMAB 2011 Annual Report, the limited availability of reliable and price competitive energy – including access to an electrical grid – affects all sectors of the economy and continues to negatively impact the territory's current and future mineral development industry.

Energy costs comprise a significant part of a mine's operating costs and the use of diesel power places Yukon mines at a competitive disadvantage as compared to mines in jurisdictions around the country and around the world.

YMAB accentuates its previous recommendations that the Yukon Government find a long-term solution to the territory's limited available energy by pursuing options to connect the territory's power grid to BC and Alaska.

The board recognizes the work of the Yukon Government regarding its review of options around liquefied natural gas (LNG) to replace diesel in the territory.

YMAB concurs that of all the near term supply options being researched, LNG can best meet industry's forecasted demand for energy without the need for significant diesel power generation to allow existing and future mining development projects to have a competitive cost of operations.

YMAB requests that the Yukon Government be transparent and communicative regarding the review of options around LNG to help provide realistic alternatives to the existing electrical grid and ensure reasonable cost power that will lead to increased certainty and investor confidence.

The board also requests that Yukon Government adopt a coordinated approach with industry to address large infrastructure projects and consider Public Private Partnerships (P3s) as the model that will allow for the growth and stability of the Yukon's energy and connectivity capacity and therefore, the growth and stability of the territory's mineral development industry.

Regarding Yukon Government's Resource Access Roads (RAR) policy, the board appreciates the government's work to establish clearer policies and procedures and appreciates the opportunity the board was given to provide feedback to the draft RAR framework.

Sustainability

In the YMAB 2007 Annual Report, the board recommended that the Yukon Government reform both the *Miners Lien Act* and the *Quartz Mining Act* to reflect modern standards and ensure that Yukon's mineral development industry be competitive with other jurisdictions.

The two acts were revised in 2008 and regulations within the *Quartz Mining Act* were reformed to ensure that revenues from the mining industry are reinvested in Yukon communities.

Today, after record high mineral exploration investment in the territory a mere two years ago, Yukon's exploration industry is facing a dire global investment environment and experiencing severe challenges raising capital for exploration.

As compared to 2011, exploration expenditures this coming season are anticipated to decrease by two-thirds - a reality that will negatively impact all Yukon residents across all economic sectors.

YMAB firmly recommends that Yukon Government reinstate the Yukon Mineral Exploration Tax Credit (YMETC), or a similar government incentive program, to retain and attract exploration expenditures to the territory as they are the foundation for economic growth within the mineral industry and ultimately support all Yukon communities.

Several junior mining companies with projects now in - or nearing - the feasibility or pre-development phase utilized the YMETC before the program was discontinued and the production expenditures and revenues they contributed continue to benefit the social and economic foundation of our territory.

YMAB commends Yukon Government for its continuation of the Yukon Minerals Incentive Program (YMIP) to promote and enhance mineral prospecting and exploration in the territory and **recommends that the government adopt a proactive, cohesive and coordinated approach to promoting the territory's mineral industry to the national and international investment community.**

Labour Market Needs

The board recognizes Yukon Government's firm commitment to mine training and its support of the Centre for Northern Innovation in Mining (CNIM) at Yukon College so that Yukon residents may be trained to access skilled and well-paid industry employment opportunities and help them transfer within the workforce from entry-level and service positions to more highly skilled jobs.

Yukon Government's recent investment of \$1.1 million toward the \$1.8 million purchase of a mobile training laboratory and supply trailer for industrial trades instruction will allow Yukon College to provide training and programming that is relevant to the industry and will allow students to complete their industry-related training and education in the territory.

YMAB also commends Yukon Government's work with the Government of Canada as was revealed in the federal Budget and *Economic Action Plan 2013* to provide capital support for CNIM, subject to matching funding from the territorial government and the private sector.

Over the coming year, YMAB urges Yukon Government to facilitate and actualize this federal government support for CNIM to ensure a long term and stable funding solution for mine training, research and technology innovation in the territory and continue to support and update work to identify labour market issues and opportunities.

Housing

As emphasized in the YMAB 2011 Annual Report, the lack of available housing throughout the territory has been a chronic and major impediment in the attraction of skilled workers to the Yukon.

The board appreciates Yukon Government's work this past winter to establish the *Down Payment Assistance Program* so that eligible and qualified individuals may more effectively qualify for a mortgage to purchase or establish their principal residence in the territory.

YMAB recommends that Yukon Government evaluate the available land and housing stock throughout the territory and clearly and effectively communicate these findings.

In addition, the board looks forward to the important results of the ongoing *Project to Explore Issues Related to Residency in Yukon* in order to help the industry develop strategies that encourage resident labour and decrease the additional costs and logistical challenges related to a fly-in fly-out workforce currently affecting the territory's three producing mines.

Government Relations

As previously mentioned in this report, the year ahead marks 40 years since the historic delivery of *Together Today for Our Children Tomorrow* to the federal government and the 20th anniversary of the signing of the *Umbrella Final Agreement* by Canada, Yukon and CYFN.

These groundbreaking events helped to lay the foundation for settled land claims and First Nation self-government in the territory for 11 of Yukon's 14 First Nations. Paired with Yukon's Devolution from Canada and the enactment of YESAA in 2003, legislative and regulatory certainty needs to be more clearly defined.

YMAB appreciates that the Yukon Forums are an opportunity for the Premier, the CYFN Grand Chief and Yukon First Nation Chiefs to identify opportunities and common priorities for collaboration and that this dialogue and respectful and transparent relations between Yukon Government and Yukon First Nations are beneficial to the achievement of certainty for the territory's mineral industry.

YMAB recommends that the Yukon Government continue to work with Yukon First Nations to address the issues and concerns they share as governments and to support them in their financial and implementation discussions with Canada.

YMAB commends the Yukon Government for its support of *Engaging with Yukon First Nations and Communities: A Quick Reference Guide to Effective and Respectful Engagement Practices* designed to help mining, exploration and development companies establish sound and respectful working relationships with Yukon First Nations and communities when undertaking mineral exploration or development projects or activities in the territory.

As recommended by YMAB in its 2010 Annual Report, the board also recognizes the territorial government for its role in the agreement of terms of a new resource royalty sharing agreement with self-governing Yukon First Nations to provide First Nation governments with increased royalties from mining activity.

YMAB looks forward to the report on progress that the Yukon Government will provide CYFN and Yukon First Nations.

Conclusion

Over the past decade, YMAB, within its mandate, has made recommendations to the Minister of Energy, Mines and Resources to help ensure a competitive and sustainable mining industry for the benefit of all Yukoners and communities.

YMAB is encouraged by the response from Yukon Government and looks forward to continuing its advisory role.

Yukon Minerals Advisory Board 2012 Members

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Tintina Consultants

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Yukon Chamber of Mines

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Alexco Resource Corp.

Dr. Harlan Meade
Selwyn Resources Ltd.

Jerry Asp
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Victoria Gold Corp.

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