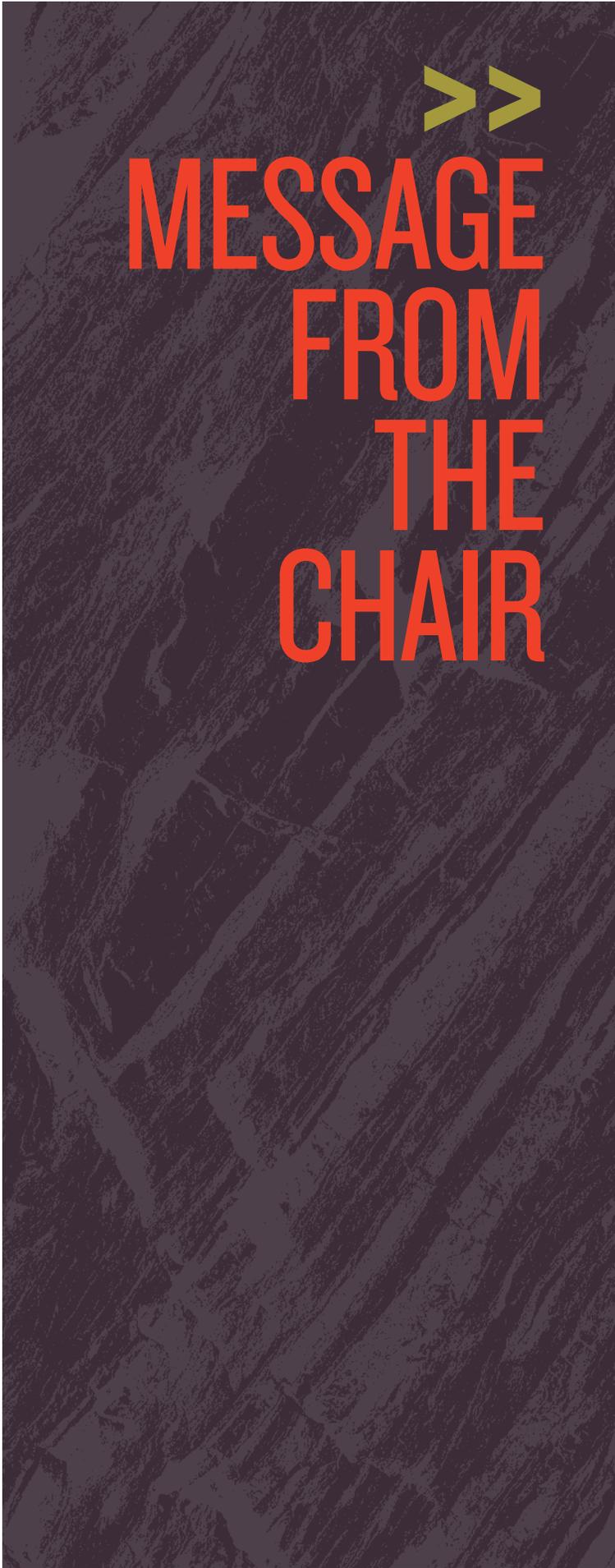


2016



YUKON MINERALS ADVISORY BOARD
ANNUAL REPORT



MESSAGE FROM THE CHAIR

On behalf of the Yukon Minerals Advisory Board (YMAB), I am pleased to present the 2016 YMAB Annual Report, which focuses on **four key issues** currently impacting the territory's mining industry including: **targeted regulatory improvements; intergovernmental relations; infrastructure investment;** and, **access** for mineral exploration and development.

The mining sector realized a significant improvement in 2016.

Investment in the sector gained momentum during 2016 and this positive trend is generally on track to continue. The Yukon was a major beneficiary and after several years of declining interest witnessed major investments by several senior mining companies. This is encouraging as it relays a strong signal to other investors that the Yukon remains a top investment destination. In a world of ever increasing geopolitical uncertainty, the Yukon remains a rare location with its overwhelming and underexplored geologic potential located within a safe and stable jurisdiction.

That said, the Yukon's position, as a top mining jurisdiction and investment destination remains fragile.

The enormous potential is tempered by the reminder that the Yukon currently only has one aging mining operation still in production; a single mining operation working toward a restart; a single mining project permitted for development; and, only one mining project that has meaningfully advanced through YESAA.

The remaining Yukon projects are, at best, several years from development and in most cases perhaps a decade out from development or are yet to be discovered. While discovery and exploration remain the key incubator for the future, a single reasonably sized mine can have economic and social contributions and employment opportunities that dwarf all other private sectors by a large margin. From this fragile foothold comes great opportunity to set the Yukon on a path of self-sustaining socio-economic prosperity.

In order to realize this goal and with so few projects ready for development over the next five years, it is critically important Yukon Government focuses on enabling and supporting the mineral industry to thrive within its mandate.

As this is the first time in 14 years the Yukon has been governed by a new party, the board is optimistic that a new sense of energy and new ideas could bring a fresh perspective to the challenges and opportunities facing the industry. It is also worth recalling however; those who are unaware of history are destined to repeat it.

With this in mind, the board extends its appreciation to Yukon Government for its continued confidence in the collective knowledge and experience of the YMAB members to advise the Minister of Energy, Mines and Resources to help:

- ▶ Increase the potential for mineral exploration and development in the Yukon.
- ▶ Attract capital for the exploration and development of new mines.
- ▶ Ensure that mines can be developed feasibly and in a timely fashion.
- ▶ Improve the potential for producing mines to remain viable.
- ▶ Enhance Yukon participation in mining.
- ▶ Reduce constraints, including government constraints, on the development of minerals in the Yukon; and,
- ▶ Outreach with First Nations to explore the opportunities and benefits of mineral exploration and development in the Yukon.

The objectives of YMAB are well aligned with the mandate of the current government, which amongst other priorities recently outlined:

>> “Our overarching strategic priority is to support the development of a thriving, prosperous and diversified economy that provides well-defined benefits for communities, First Nations and Yukon as a whole and integrates a high level of long-term environmental management.”

It is with this mindset and these objectives that YMAB looks forward to working with and providing advice to the Yukon Government over the coming year.

In closing, I extend my sincere thanks to the entire volunteer board for providing their invaluable expertise and time this past year.

Respectfully Submitted,



MARK AYRANTO

CHAIR | YUKON MINERALS ADVISORY BOARD

SUMMARY OF RECOMMENDATIONS



YMAB believes there are four key near-term priorities that require significant sustained attention by the Yukon Government (YG) to encourage a healthy robust exploration and mining sector in the Yukon, which in turn can generate significant benefits for Yukon First Nations and all Yukoners. These priorities include:

- ▶ **Targeted regulatory improvements** with the goal of removing unnecessary duplication, focusing on substantive risk mitigation and setting performance rather than prescriptive based objectives.
- ▶ Continued efforts by YG and Yukon First Nations to **cultivate strong intergovernmental relations** specific to advancing responsible resource development.
- ▶ **Infrastructure investments** including pursuit of federal funding opportunities for the Yukon Resource Gateway Project and the Stewart-Keno Transmission Line project; and,
- ▶ **Security of access** for exploration and development activities.

Targeted Regulatory Improvements

In the absence of a regulatory mechanism such as 49[1], currently being repealed under Bill C-17, the process under which projects are 'reassessed' under YESAA is highly flawed.

At best, it serves as a significant burden and barrier to development and capital investments in the Yukon. At worst it threatens the very future of mineral development and placer mining in the territory. There are multiple examples in the Yukon that either have, or will, prematurely shut down projects due in large part to reassessment. The fact that 49[1] has been used by the Yukon Environmental and Socio-economic Assessment Board (YESAB) over 80 times since Bill S-6 became law in 2015 speaks volumes for the critical need of a practical regulatory tool that can manage determinations of non-significance when appropriate.

YMAB appreciates the highly political lightning rod Bill S-6 became and the fact that C-17 will be enacted is not the issue. What is at issue is the loss of a practical regulatory tool that was deployed, or could have been deployed, to avoid repetitive environmental assessments deemed non-significant that serve no benefit to the public or the environment. It is worth noting that this will, and has, impacted several sectors beyond mining in the Yukon.

As with the 2015 and 2016 YMAB Annual Report, the board strongly urges YG to work with Yukon First Nations, Canada, the Yukon Water Board, YESAA and industry to address and solve this very pressing challenge of reassessment under YESAA.

Mine Licensing Improvements Initiative (MLII)

In YMAB's 2013 and 2014 Annual Reports, and reiterated in 2015, it was recommended that "YG develop and implement transparent strategies in order to help restore confidence in the Yukon's assessment and permitting process" based on the observation that "although assessment and permitting in the Yukon have not changed in recent years, the interpretation of YESAA and the Waters Act by Decision Bodies and assessors and their approach to assessment and permitting have resulted in deteriorating timelines and overlapping mandates."

YMAB acknowledges YG's efforts to move forward with regulatory improvements through its Mine Licensing Improvement Initiative [MLII]. However, as feared by industry, MLII became process-driven with no realization of near-term regulatory improvement.

At present, it is unclear to YMAB if YG remains focused on improving client services to:

- Clarify roles and responsibilities between agencies.
- Avoid duplication.
- Improve accountability.

In order to support regulatory improvements, YMAB feels compelled to **emphasize the critical need that any regulatory improvements that fall within YG's mandate, which do not require legislative amendment, be implemented with a sense of urgency to help remove duplication and uncertainty. Alternately, YMAB recommends abandoning MLII and focusing on alternative means to meaningfully reduce regulatory constraints, including government constraints, on the development of minerals in the Yukon.**

Continued Cultivation of Strong Intergovernmental Relations

The government's key commitment to a renewed government-to-government relationship with Yukon First Nations built on cooperation and partnerships and respect for Final and Self-Government Agreements is encouraging.

Governing (whether a First Nation or territorial government) is hard work often requiring a balance of competing interests in order to move forward. Mutual collaboration and cooperation is always the best approach to achieving significant progress. This should not, however lead to a paralysis or fear to address difficult decisions but rather create a more comprehensive basis under which decisions are made to achieve a common goal. Exploration and mining projects need to demonstrate mutual value for not only the corporations that develop them but also the citizens and communities they serve.

YMAB commends YG on its commitment to strengthening cooperation and partnerships with Yukon First Nations and encourages all parties to strive for mutually beneficial outcomes to move exploration and development projects forward responsibly in the Yukon.

Infrastructure Investment

Life in the north costs more than in southern jurisdictions and developing a mine (or exploring for one) is no exception. The higher operational costs are a significant increased burden for mineral exploration and development in the territory relative to more southerly projects, which compete for the same investment capital.

Although there are non-controllable factors that increase costs due to the territory's climate and distance from major centres, there are also several important controllable factors, which can be mitigated.

The most obvious mitigation for higher cost is strategic infrastructure investment. In the Yukon there is a severe infrastructure deficiency relative to southern regions of Canada and this places the territory at a significant competitive disadvantage. Increased infrastructure investment in the Yukon not only helps attract further investment in the territory but importantly also helps moderate the higher cost of living and contributes to increased economic prosperity for all Yukoners.

YMAB is encouraged YG continues to pursue federal funding and other appropriate means to close the infrastructure deficiency gap and increase the Yukon's profile as a top jurisdiction in which to invest. **Specifically, YMAB, recommends YG continue to support and pursue the Yukon Resource Gateway Project and the Stewart-Keno Transmission Line as a means to further support the development of a thriving, prosperous and diversified economy that provides well-defined benefits for communities, Yukon First Nations and the Yukon as a whole and integrates a high level of long-term environmental management and renewable energy.**

Security of Access

Over the past several years, vast portions of the Yukon have been excluded from staking, exploration and development. As of January 2017, approximately 52 per cent of the territory, that is either currently protected or slated for protection, excludes any staking, advanced exploration or development activities.

The amount of area currently unavailable for staking and exploration (to say nothing of actual mine development) is alarming. Equally concerning is a proponent's inability to maintain or secure operational permits on existing claims within a broader 'no staking' region. This effectively removes access to further ground that is otherwise geologically prospective.

A prolonged and sustained limit on the ability to explore and advance our geological understanding within vast swaths of the Yukon will limit the possibility of discovery success, limiting further investment and ultimately limit Yukon's potential to develop a prosperous self sustaining socio-economic prospect for the future.

YMAB recommends YG ensure access to staking and exploring geologically prospective ground within the Yukon remain a strong priority going forward.



Conclusion

In closing, the Yukon mining industry continues to be challenged by a regulatory inefficiency and an impending flawed reassessment process under YESAA.

Yukon Government, as a Decision Body on many recommendations by YESAB in the territory, must also be accountable to the decisions its departments make that are detrimental to the competitiveness of the industry.

Continued constructive engagement with Yukon First Nations is key to ensuring mineral projects are well supported and able to move forward.

Infrastructure investment and elimination of the territory's infrastructure deficit will improve its competitive position to attract investment dollars, enhance Yukon First Nation business development opportunities and generally benefit all Yukoners for generations to come.

Access for prospecting, exploring, developing and building mines in the Yukon is key to ensuring a strong industry, which in turn supports strong and healthy communities.

Near-term substantive improvements in these areas will best ensure the continuation of responsible resource development in the Yukon while maintaining a strong environmental standard. Importantly, improvements in these areas would enable proponents to increasingly focus on enhancing benefits to Yukon First Nations and local communities.

We look forward to working with your government on these initiatives in the near future to create a thriving exploration and mining sector to the benefit of all Yukoners.

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