



2017

YUKON MINERALS ADVISORY BOARD
ANNUAL REPORT





MESSAGE FROM THE CHAIR

YMAB has been at the forefront on many issues and is ready to work with YG as appropriate on any topic affecting mineral development in the Yukon.

-Mark Ayranto

On behalf of the Yukon Minerals Advisory Board (YMAB), I am pleased to present this year's Annual Report,

which highlights our perspective on the state of the industry in the Yukon and provides recommendations for Yukon Government (YG) actions to improve mineral exploration, development and mining in the Yukon.

Following the economic recovery in the exploration and mining sector in 2016 Yukon continues to realize a steady increase investment in exploration and development activity. In fact Natural Resources Canada's March 2018 Information Bulletin on Mineral Exploration and Deposit Appraisal Expenditures noted Nova Scotia, Quebec and Yukon experienced the largest spending increases in Canada over the past 3 years. Several major mining companies have invested in Yukon projects, Minto Mine continues to extend mine life and the Eagle Gold Project inches closer to becoming Yukon's next producing mine and largest private sector employer.

This time last year the new government had only just started to get a handle on governing the territory following a 14-year run by others. A full year and two budgets later YMAB is pleased to be providing recommendations to a government now fully enlightened with a strong vision for the future prosperity of the territory. YMAB is pleased to see the progress the government has made over the past year and commends the government for their efforts on First Nation engagement, broad stakeholder engagement, advocating for and securing infrastructure investment, and continuing to contribute towards training and early stage prospecting and exploration.

The progress is encouraging but is also slow. Despite the Yukon coming back into favour, as evidenced by the Fraser Institute's 2017 Investment Attractiveness Index (measuring both mineral and policy perception) climb from 15th to 13th place globally, Yukon has yet to consistently break the top 10. While encouraging on first glance, Yukon actually slipped in rank compared to other Canadian jurisdictions. Both Ontario and Newfoundland overtook Yukon in this year's ranking leaving Yukon in 5th spot, down from last year, compared against our Canadian peers on the Investment Attractiveness Index. This slide in rank within Canadian jurisdictions should be viewed as a red flag as Yukon was, in the not too distant past, seen as the 'new way forward' in regulatory reform and efficiency enjoying a 'one window' approach following devolution and the creation of YESAA.

A common trait amongst several top 10 finishers including: Western Australian; Quebec; Ontario; Chile; and Arizona is they are all significant producers with well-established

mining operations that are currently active in their respective jurisdictions. This is something the Yukon significantly lacks and in the opinion of YMAB must be addressed should YG wish to attract greater investment and consistently find itself amongst the top 10 jurisdictions in the world for investment attractiveness. To do so requires further improvements to ensure that mines can be developed feasibly and in a timely fashion, ensure existing mines are enabled to remain viable, to increase confidence amongst Yukon First Nation's that strong performance-based regulations are in keeping with the Umbrella Final Agreement and to enhance Yukon's participation in mining.

On the issue of Policy Perception alone Yukon ranks 6th in Canada and a lowly 22nd globally (a slight improvement over 2016). Importantly the backdrop to all of this is Canada surpassed Australia for the first time ever in 2017 to become the most attractive regime in the world for investment. Clearly in Yukon we can do better, our Canadian counterparts are, and we owe it to ourselves and every Yukoner to be a leader in the mineral development space and reap what we sow from environmental stewardship and community investments to operational excellence and long-term sustainability.

Since 2013 YMAB has consistently recommended that YG focus on restoring confidence in the Yukon's assessment and permitting process. In fact, YMAB's 2013 Annual Report departed from previous years as it 'solely focused on the board's findings with respect to the Yukon's assessment and permitting regime' due to a perceived 'moving of the goal posts' for proponents. Key issues in the 2013 Annual Report, and reports that have since followed, included: 1) re-assessment of previously assessed project components during subsequent environmental assessments; 2) deterioration in the interpretation and administration of existing laws and regulations; 3) increasing regulatory and permitting constraints taking precedence over good engineering practices; 4) excessive and redundant information requests; and 5) lack of coordination and consistency across the major regulatory bodies being YESAB, the Water Board and YG. In this 2017 Annual Report YMAB has elected to generally focus on other key issues. That's not to say any of these regulatory issues have been adequately or appropriately addressed. However after 5 years YMAB has found that little has been achieved to correct or address these concerns. These concerns and recommendations to address them have been widely broadcast so we simply encourage YG to look back on past YMAB reports with an honest assessment of what still needs to be done on the regulatory front to improve Yukon as a top jurisdiction in Canada and globally for mineral development.

In this 2017 Annual Report YMAB focuses on 4 key issues to help Yukon achieve a sustainable top 10 placeholder for Investment Attractiveness for mineral development in the years to come including:

- ▶ Intergovernmental Affairs
- ▶ Security Bonding
- ▶ Equitable Access to Explore and Operate
- ▶ Comprehensive Board to Board Dialogue

While the above highlights substantial work ahead YMAB is generally encouraged by the increasing leadership YG has undertaken over the past year to improve mineral exploration and development in key areas. We truly hope and expect this trend to continue as the vast majority of Yukoner's support a well-managed best in class mineral development sector to drive investment and long-term prosperity in the territory.

The board members sincerely appreciate the opportunity YMAB and the Annual Report provide to formally and frankly convey our perspective and recommendations on governmental actions to enhance mineral exploration and development in the Yukon.

We would further like to extend our appreciation to the Minister of Energy, Mines and Resources, to whom we advise, for enabling and ensuring YMAB continues to provide a valuable voice for industry to openly express these opinions and recommendations. YMAB has been at the forefront on many issues and is ready to work with YG as appropriate on any topic affecting mineral development in the Yukon.

We firmly believe this engagement leads to a stronger mineral exploration and development sector to the benefit of the Yukon.

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

Respectfully Submitted,



MARK AYRANTO

CHAIR | YUKON MINERALS ADVISORY BOARD

SUMMARY OF RECOMMENDATIONS



Intergovernmental Affairs

In YMAB's 2016 Annual Report we commended YG on their early efforts to strengthen cooperation and partnerships with Yukon First Nations and encouraged all parties towards mutually beneficial outcomes to move exploration and development projects forward in a responsible manner.

The importance of doing so is clearly highlighted in this year's Fraser Institute report regarding BC which, despite having several operating mines, states that BC's policy attractiveness is ranked 36th globally with the 2 policy areas that '*continue to significantly hamper BC are uncertainty concerning disputed land claims and uncertainty over which areas will be protected*'.

YMAB is pleased to see the continued progress by YG and Yukon First Nations on this important topic as noted in the YG news release of January 13, 2017 'Government of Yukon and First Nations sign intergovernmental declaration'.

Equally important to mineral development in Yukon is to now ensure these efforts result in meaningful action to enable responsible sustainable mineral development to move forward in a manner that is competitive with other leading jurisdictions in Canada and North America. There are several key factors at stake ranging from the broad territory wide issue of land use planning to the more project specific issue of properly scoping reassessment requirements under YESAA. Despite the complexity it is imperative for issues that can be moved forward are moved forward in as timely a manner as possible.

YMAB commends YG on the continued success in proactively engaging with Yukon First Nations and encourages YG to ensure issues specific to mineral development are dealt with in an expedient manner and brought to action as early as practical.

Security Bonding

Security bonding requirements have not received a lot of attention until recently. In the wake of security short falls seen at the Wolverine Mine and more historically at the Faro Mine, there appears to have been a knee jerk response by YG for projects renewing their respective security bond. Major mine projects have seen very significant increases in bonding requirements which have now become uncompetitive compared to many other jurisdictions in North America.

From a Yukon perspective this challenges project development in a couple of key ways. Mining projects in the north are generally more expensive to build and operate so requiring an uncompetitively high security requires a project to be far more exceptional, and thereby rare, in order for it to become economically viable. While some of the higher costs are also naturally reflected in the security estimate (such as transport and heating) many other costs are sunk and should not influence security estimates.

Secondly, for most explorers and junior developers a security bond, regardless of form, generally ties up significant cash whereas major mining companies are better able to utilize their balance sheet. Yukon remains largely an entrepreneurial territory with respect to mineral exploration and development. The backbone of Yukon's success has come from the prospectors and junior explorers and developers. While we have seen some welcome influx of attention from major mining companies in the recent past it will require critical mass to keep them here on a sustained basis. As such any non-competitive or unjustified cost increase required for security bonding will have a disproportionate burden on the very group that have worked tirelessly towards Yukon's exploration and mining success.

Problematic with this issue is the fact proponents are experiencing new interpretation of existing policy or straight up policy change on a project by project basis. YG has published guidelines for security bonding 'Yukon Mine Site Reclamation and Closure Policy, Financial Guidelines' which no longer seem to be relied upon by YG when reviewing a proponent's application. By way of example we understand in some circumstances that a pledge of assets is no longer considered a valid form of security despite this being acceptable pursuant to YG's published guidelines. The ramification results in further marginalizing the junior developers as more restricted cash will be required to set aside to cover the security estimate. Additionally, the recent requirement to fund 24 months of G&A [at full operational capacity] is excessive and pushes up closure cost estimates very significantly. In light of proponents being required to have a YG and Water Board approved closure plan on file and a requirement to update this plan every couple of years it is unclear to YMAB why such a long 'do nothing' period is required. Something on the order of six months might be more reasonable, 24 months is not.

Notwithstanding there remain some very useful elements of Yukon's bonding practices. The progressive reclamation and bonding estimates are very beneficial to a start up mine or a restart of an existing mine. Additionally, maintaining flexibility on the form of bonding is critical to ensuring the highest reasonable bond possible while minimizing the cash layout for junior mining companies. The existing policy, if adhered to, is generally considered a solid basis for closure cost estimating. In wake of Mount Polley and other examples, including closures of mines in Yukon, YMAB recognizes a review of the existing policies and guidelines may be appropriate.

As such **YMAB recommends the YG with the assistance of Industry undertake a comprehensive review of the Yukon Mine Site Reclamation and Closure Policy, Financial Guidelines to update the policy where required on a more holistic and transparent manner and confirm the Yukon's competitiveness in this regard to other jurisdictions in Canada and more broadly in North America.**

Equitable Access to Explore and Operate

Fully 52.2% of Yukon is now ineligible to stake a claim for mineral exploration or development, regardless of mineral potential. The vast majority of this ground is inaccessible for upwards of 6 months due to poor weather conditions and lack of infrastructure. This is noteworthy as there are several land use initiatives contemplated in the future so clearly the area that will be available to explore will continue to decline over time.

Coupled with the ever-decreasing land availability is a significantly increased regulatory burden restricting access for exploration. Recent interpretation of regulation or policy guidelines not previously seen include: building inspections and permits for exploration camps; day-time restrictions on exploration activities; noise level restrictions that far exceed requirements for other industrial users; sub-land use planning and establishing water quality objectives for culvert replacement (in addition to meeting standard best practices). The placer mining industry is reportedly witnessing similar sudden changes in permit requirements.

YMAB appreciates that policy and regulation can and should evolve over time. However the mineral sector appears to be under excessive inequitable scrutiny at present. To our knowledge many license requirements for the mineral sector have generally not been mandatory for other users licensed for substantially similar activities. For example road licensing requirements for mineral development at times far exceed YG's own standard applied to highway construction or maintenance. All of these have combined to reduce investor attractiveness and jurisdictional competitiveness for advancing mineral development in Yukon.

Both the excessive regulatory burden and the inequality in which it appears to be applied to the mineral development sector is highly concerning to YMAB. YMAB recommends YG review existing policy and guidelines for the mineral sector with industry input to ensure adequate but not excessive rules be applied for mineral development projects. Further that any such application of policy or guideline be equitably administered across all users regardless of sector.

Comprehensive Board to Board Dialogue

As noted in previous Annual Reports, mining and exploration companies, as proponents, are currently the sole entity involved start to finish from environmental assessment through to the granting of a license to operating under the terms and conditions of a given license. On the review and license issuing side there are a vast number of entities including YESAB, YG (Energy Mines and Resources, Environment, Executive Council Office (ECO), Community Service, Health and Social Services, Highways and Public Works) and the Water Board. Perhaps not surprisingly a proponent is left attempting to provide important context to a particular agency to ensure consistency with a decision document, an earlier decision made by YG or a Yukon First Nation regarding the project which may influence the license application in question.

Broadly speaking YG has 3 main agencies with significant influence over a project: EMR as the lead under the Quartz Mining License, ECO with a governance role of Yukon boards and committees; and Environment as the designated lead for YG as an intervener. In the past YMAB has made recommendation that a one-window coordinated point of entry for mining proponents with accountability for timelines, process improvement and procedural fairness be established within YG.

YMAB also recognizes that Yukon First Nations are integral to achieving a sustainable mineral industry and would similarly benefit from greater clarity and efficiency with respect to an integrated regulatory system. While not directly involved YMAB believes this is a general intent of the current MOU between several Yukon First Nations and YG. YMAB applauds this effort to work together and improve intergovernmental relations and hope these efforts will achieve greater clarity and a more efficient regulatory process.

Similarly, YMAB believes board to board engagement with industry would benefit a more common understanding of a proponent project as it relates to environmental assessment and licensing requirements.

Specifically, **YMAB recommends quarterly board to board meetings are held between YG Deputy Ministers for ECO, EMR and Environment, the Water Board, YESAB and YMAB to provide an avenue for cross agency communication and industry to facilitate a more comprehensive understanding of the issues affecting projects as they navigate the Yukon assessment and permitting requirements.** To this end YMAB is committed to investing the time and resources to help ensure this important dialogue take place.

Conclusion

YMAB looks forward to working with YG in the coming year to help ensure that mining projects in the territory can compete globally through their exploration, development, operation and closure and reclamation phases.

YMAB is pleased to see the progress the government has made over the past year and commends the government for their efforts on First Nation engagement, broad stakeholder engagement, advocating for and securing infrastructure investment, and continuing to contribute towards training and early stage prospecting and exploration. YMAB would like to ensure Yukon maintain its status of being in the top 3 Canadian jurisdictions in terms of exploration and development growth with the aim to anchor a top 10 finish in the Fraser Institute's Investment Attractiveness. To do so will require the development of a solid mining base, supported by strong regulatory requirements that encourage best practices, protect the environment, contribute to community development and provide cost effective solutions.

On intergovernmental affairs **YMAB commends YG on the continued success in proactively engaging with Yukon First Nations and encourages YG to ensure issues specific to mineral development are dealt with in an expedient manner and brought to action as early as practical.**

The issue of bonding is an emerging concern and **YMAB recommends the YG with the assistance of Industry undertake a comprehensive review of the Yukon Mine Site Reclamation and Closure Policy, Financial Guidelines to update the policy where required on a more holistic and transparent manner and confirm the Yukon's competitiveness in this regard to other jurisdictions in Canada and more broadly in North America.**

Regarding the issue equitable access to explore and operate **YMAB recommends YG review existing policy and guidelines for the mineral sector to ensure adequate but not excessive rules be applied for mineral development projects. Further that any such application of policy or guideline be equitably administered across all users regardless of sector.**

Lastly on the issue of enhancing collective understanding **YMAB recommends quarterly board to board meetings are held between YG Deputy Ministers for ECO, EMR and Environment, the Water Board, YESAB and YMAB to provide an avenue for cross agency communication and industry to facilitate a more comprehensive understanding of the issues affecting projects as they navigate the Yukon assessment and permitting requirements.**

Yukon Minerals Advisory Board Members

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Victoria Gold Corp.

Members:

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Goldcorp Inc.

Marc Blythe
Yukon Chamber of Mines

Keith Byram
Pelly Construction Ltd.

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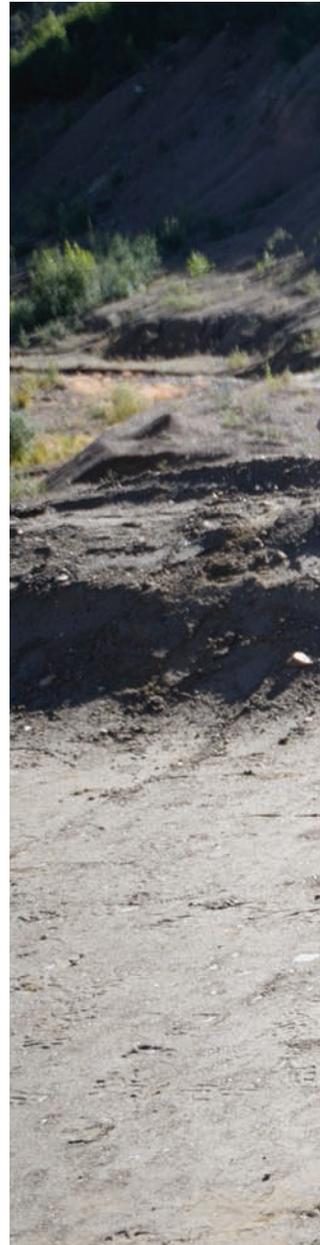
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