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Northern Transportation Conference 2013: Natural Resources, Yukon Context



ESBG Presentation

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Topics

- **Yukon: A View From “Outside”**
- **Not Quite So “Clean” From the Inside...**
- **Yukon Context: Natural Resources Offerings**
- **Highlight: Casino Property**
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- **Yukon’s Geo-Strategic Reach**
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- **Challenging the Theme: We Need Vision!**
- **Strategic Partnerships: a Way Forward...**

Yukon: A View From “Outside”

“Since devolution in Canada of federal authority to the territories, there is a feel to us outsiders that the Yukon has a young political structure. This provides a sense of modernity while the jurisdiction stream-lines and works out its permitting processes.

The Yukon has also developed its own regulations, providing a clear pathway for making discoveries and building mines. Land tenure has been improved as 11 of the 14 land claims have been settled with First Nations in the Yukon Territory...

More recently, an alignment of political parties in Canada, interested in developing natural resources, may now have critical mass to advance necessary infrastructure issues such as roads and power. In sum, we see the nascent form of the Yukon to have the potential to become one of the preeminent areas for mining in the 21st century.”

[Beacon Rock Research: “August 8, 2012 Special Report: Scarsdale 2012 Yukon Tour”]

Traction in Yukon (Economic Outlook...)

- **“The Yukon economy compared to the rest of Canada is... incredibly levered to the mining sector.”**
- **“While many commodity prices have seen sharp price drops this year, the outlook in the medium term is still looking good.”**
- **“Growth in China’s industrial production is the prime indicator, and while that growth has slowed in recent years, it should stabilize soon.”**
- **“And, the US economy is finally poised to make a real recovery.”**

Source: Doug Porter, Chief Economist, BMO Financial Group

(Keynote Address, 2013 Whitehorse Chamber of Commerce AGM)

- **It does not hurt that every year through Territorial Formula Financing Agreements, Yukon secures approximately \$900 million in funding from the Government of Canada (GWNT gets about \$1 billion and Nunavut about \$1.3 billion); a very solid base to work with!**

Not Quite So Clean From the “Inside”

Two recent successful challenges by First Nations without modern Land Claims Agreements have significant impact on resource development in Yukon:

1. September 19, 2013, SCC dismissed an application for leave to appeal the decision in *Ross River Dena Council v. Government of Yukon*. The Yukon Court of Appeal decision noted that the government “has a duty to notify and, where appropriate, consult with and accommodate the plaintiff before allowing any mining exploration activities to take place within the Ross River area...” This decision has called into question “free entry staking” in Yukon (potential for broader consequences in Canada)
2. July 5, 2013 SCY ruled that Yukon Government did not properly consult with the White River First Nation over a Class 3 exploration application by Tarsis Resources Ltd. in an area South of Beaver Creek. Yukon consulted in September and subsequently turned down the application.

In short, the “clear pathway” highlighted by Beacon Hill Research is still taking shape...

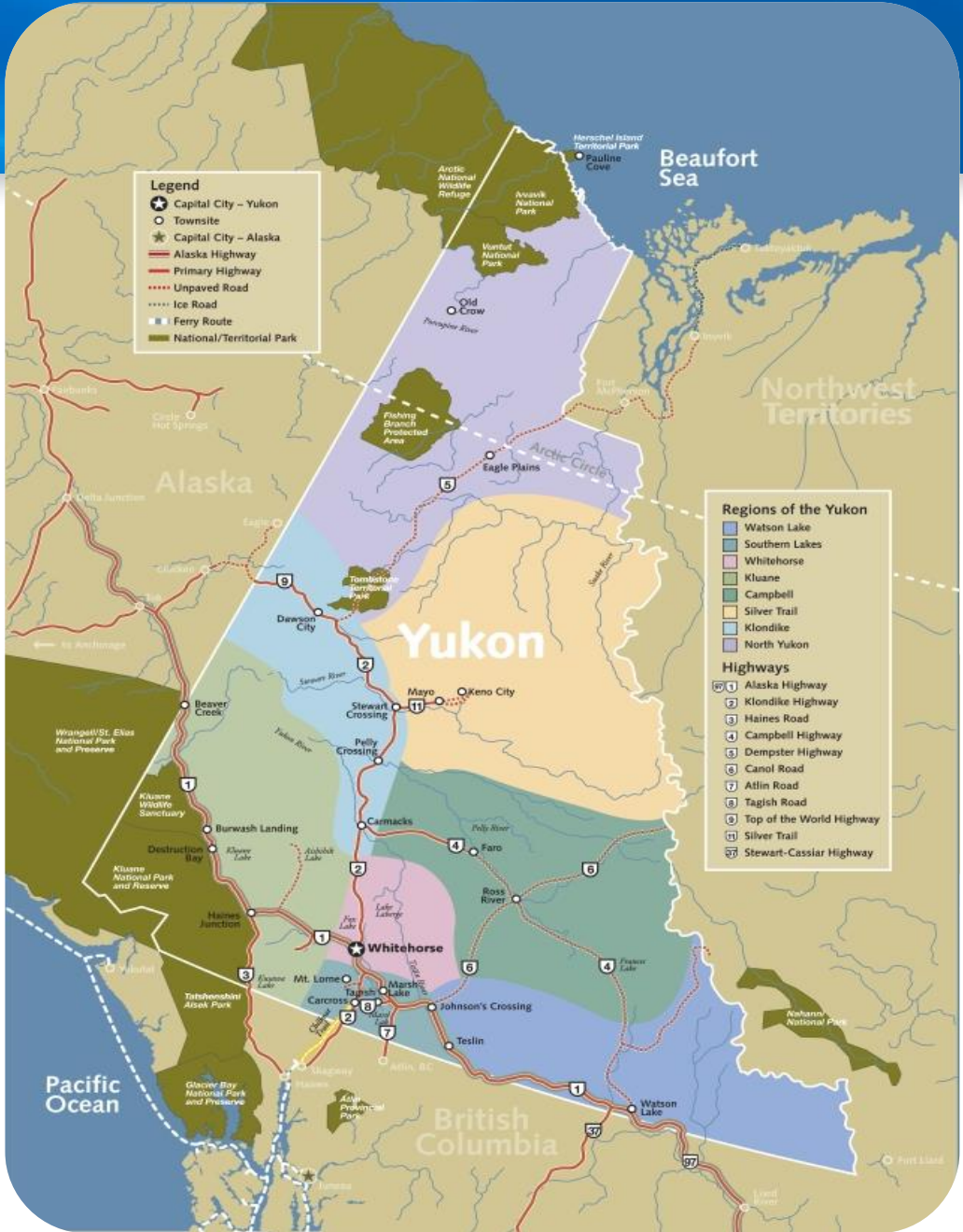
Yukon Context: Natural Resources Offerings

- Unprecedented levels of Exploration suffered complete reversal in 2013
- However, continued positive long-term outlook for metals
- Three Producing Mines
 - Minto Mine (copper-gold)
 - Wolverine Mine (zinc-silver-copper-lead-gold)
 - Bellekeno Mine (silver-lead-zinc) [winter closure for 2013-14]
- Seven or more advanced projects at feasibility/permitting stage
 - Feasibility/Permitting stage:
 - Casino (Western Copper & Gold)
 - Mactung Tungsten (North American Tungsten)
 - Selwyn lead-zinc (Selwyn Chihong)
 - Advanced Exploration
 - Andrew polymetallic massive sulphide(Overland Resources)
 - Rackla Gold

Highlight: Casino Property

- There is no doubt mining will have a profound impact on Yukon's economy!
- Western Copper and Gold Corp. April 2013 public statement on impact:
- Construction and operation phase anticipates:
 - \$9.7 billion to Canada's Gross Domestic Product ("GDP"),
 - 51,373 full-time equivalent positions ("FTE"), - \$2.5 billion in wages and salaries
 - GDP generated in Yukon by construction - \$363 million (14% of Yukon's 2011 GDP)
 - Construction phase - \$2.0 billion to Canada's economy & 22,601 FTEs resulting in \$1.1 billion in wages and salaries across Canada
- Operations, each of its 22 years of operation:
 - contribute \$274 million to Yukon's economy
 - contribute \$350 million to Canada's GDP annually
 - 1,308 FTEs created - generating \$61 million in wages and salaries across Canada
 - generate \$3.1 billion in taxes and royalties to various governments during life of mine
- Additional contributions to Yukon:
 - training,
 - education,
 - Infrastructure.

Yukon Transportation Infrastructure



Yukon's Geo-strategic Reach

- **Yukon is reasonably well positioned to access markets**
 - **Road system connects Yukon to:**
 - **Alaska (3 points),**
 - **NWT (Dempster Highway to Inuvik)**
 - **B.C. (Alaska Highway to the NE /Stewart-Cassiar Highway to the NW)**
 - **In Alaska: ports of Skagway and Haines**
 - **Studies underway looking to upgrade both ports to accommodate more resources through traffic**
 - **Skagway \$67 Million upgrade of ore handling facility (AIDEA)**
 - **Northern B.C.: Port of Stewart (already used by Wolverine)**
 - **Also looking at expansion to serve B.C. and Yukon**

Infrastructure Opportunities “on the screen”

- **A number of projects being looked at...**
- **External links:**
 - **G7G concept for rail link from Alberta Oil Sands to Alaska for export (Alberta - \$1.8 Million study to look at this) – if developed will open up significant mineral areas (route-dependent)**
 - **Haines commissioned study of spur link to connect the Port with standard gauge rail at Delta Junction**
 - **Road and bridge upgrades on highway to Skagway**
- **Yukon resource access:**
 - **\$150 million – road to Casino (various along corridor)**
 - **\$200 million – upgrade of North Canol (Andrew properties)**
 - **\$100 million+, upgrade of road to Selwyn Project (Nahanni Range Rd. one option)**
 - **\$50 Million – Rackla access (East of Dawson City)**

Challenging the Theme: We need Vision!

- Panel Theme:

“Northern Transportation Strategy must be cognizant of the volatility of world commodity prices and their effect on the economics of northern resource development”

- Yes, companies must see way forward to ROI

BUT

- “Iffy” economics become solid with infrastructure commitments:

- Key here are:

- Transportation infrastructure (primarily roads/bridges)
- Energy access (subject for another day...)

- Long term vision for strategic infrastructure commitments could make the difference between “no go” and “go”!

Strategic Partnerships: A Way Forward

- A workable “visionary” strategy requires partnerships:
- In Yukon:
 - Yukon Government
 - Yukon First Nations (they now are significant “players” both as financial partners and in overseeing stewardship responsibilities – doing it the right way...)
- Beyond Yukon:
 - Federal government – financial partners
 - State of Alaska – access to world markets
 - Province of B.C. – access interests
 - GNWT (thanks to Dempster there may be market opportunities – we need gas!!!)