

The background of the cover is a wide-angle photograph of a massive glacier valley. The glacier is a deep blue-grey color, flowing through a valley between dark, rocky mountains. The peaks of the mountains are covered in snow. In the foreground, a person wearing a light-colored jacket and pants stands on a rocky, grassy slope, looking towards the glacier. The sky is a pale, overcast blue.

GBR

GLOBAL BUSINESS REPORTS

British Columbia & Yukon Mining 2017

**PRE-RELEASE
EDITION**

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GLOBAL BUSINESS REPORTS

British Columbia Mining 2017

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Cover Photo:
 Courtesy of IDM Mining Ltd.

Dear Readers,

Global Business Reports is pleased to be back in Vancouver to provide a first-hand update for our global readership on how British Columbia is taking the new bull by the horns. Many look to Vancouver as a barometer for exploration globally and we have good news: junior companies have shared with us their survival stories through the downturn, from joint venturing with Asian mining companies, to taking advantage of the Flow Through tax. The sector is amid a great turnaround and is now in a more comfortable position to advance projects in the coming year.

British Columbia is one of the richest mineral regions on the planet and its poly-metallic offerings have made it a first class destination for exploration companies wishing to mitigate risk with multi-commodity portfolios as we enter a new cycle. The region's Golden Triangle has drawn considerable attention in recent years, with Imperial Metals' Red Chris coming online and Pretivm's Brucejack in construction. Infrastructure developments, such as the Northwest Transmission line, have been accompanied by increased activity in the region and long-term relation building with the First Nations. Exploration is noticeably increasing and we see many experienced geologists pushing forth with projects close to existing mines or with brownfield data in hand to enhance investment security.

Mining remains a key economic driver for British Columbia and the province stands as a significant mineral exporter globally, therefore feeding the production pipeline was becoming a major concern amongst industry stakeholders. Whilst news releases may have been on the quieter side in recent years, the following pages will analyze the strategies exploration companies have taken and their visions for 2017.

Beyond the northern border, Vancouver-based juniors have long been exploring into Yukon, and with an uptake in gold prices, technological innovations, and GoldCorp buying the Coffee Gold project, the region has once again become attractive. Beyond the wolf and bear sightings, Yukon is becoming an increasingly welcoming destination and one we could not ignore in our research.

This Pre-release is the first report in our British Columbia Mining and the Yukon 2017 series and we would like to thank all our interviewees who have helped make it such a success. Our research is now extending to interviews within the production and support sector for the regions as we work toward publishing our July and September reports.

Take a moment as we invite you to explore ...

Laura Brangwin
 Project Director



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Introduction

British Columbia's Exploration Revival

Commodity boom and bust cycles over the past decade have made investors in the mining sector increasingly wary. Whereas as recently as 2011, majors and juniors would fearlessly embark on property acquisitions overseas – often overlooking geopolitical risks and long-term economic hurdles- they are now in the hunt for projects offering safety and certainty to their investments. It is under this change in perspectives that British Columbia (B.C.) has reemerged as one of the most attractive mining jurisdictions in the world. The province has no shortage of mineral wealth: it hosts vast gold and copper porphyry deposits, together with equally impressive coal, silver, nickel and molybdenum reserves. Moreover, this western Canadian jurisdiction offers a favorable legal framework, competitive infrastructure, a highly skilled labor force, and a stable political and economic environment. These strengths are contributing to renewed interest in the province, as companies based in B.C. and the rest of Canada look back home for opportunities under the new market conditions.

Vancouver, western Canada's largest city,

"British Columbia weathered the downturn better than many jurisdictions primarily because the Province had a lot of advanced projects moving through the review process. Investing in an advanced project that has gone, or is going, through permitting or environmental assessment can still make good business sense during a downturn if you believe the demand and price of a commodity will increase in the future."

**- Gavin Dirom,
 president and CEO,
 AMEBC**



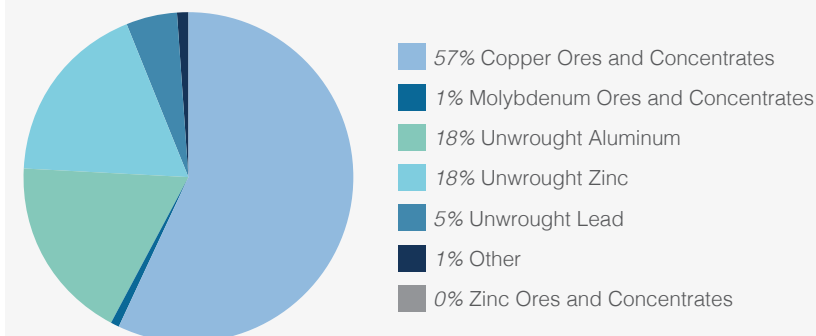
has long been hailed as the world's mineral exploration capital. At the peak of the commodity price boom, this urban area of roughly 2.5 million inhabitants housed more than 1,200 mineral exploration companies, with presence in over 100 countries. A lot has changed since then. As of late 2016, the number of juniors in the city has been reduced to roughly 800 and some of these survivors are still struggling to operate under 'the new normal' market conditions. Similarly, the province's local mining industry has suffered considerable setbacks. According to PwC's latest survey on mining

in British Columbia, gross mining revenues have declined from \$9.9 billion in 2011 to \$7.7 billion in 2015, a 22% decline. This is mainly attributed to the steep fall in prices of commodities produced in B.C.

Prevalently low commodity prices have taken a noticeable toll on investors' confidence, particularly in a jurisdiction heavily reliant on its exploration expertise. This has resulted in dozens of exploration projects being put on hold, while operations in over 20 sites across the province have been put on care and maintenance. "The past couple of years have been some of the most challenging. A lot of people thought the market was going to recover sooner than it did. 2015 was perhaps the worst year for exploration for the mining industry over the past 100 years," declared Adam Travis, CEO of Colorado Resources, a leading exploration company with a portfolio of properties across B.C.

Despite this bleak environment, some exploration companies spotted opportunities. Such is the case of Skeena Resources, a Vancouver-based junior that has recently expanded its property portfolio in the region. "One of our main strategies has been contrarianism. When the market was down a couple of years ago, we thought it was a good opportunity to buy assets. The

**B.C. ORIGIN METALLIC MINERAL PRODUCTS EXPORTS IN 2015:
 SHARE BY COMMODITIES (%)**



Source: British Columbia Ministry of Energy & Mines

key to dealing with the mining industry's volatility is buying when no one else is interested and selling when the interest returns," declared Walter Coles, president and CEO at Skeena.

Similarly, Gregory Beischer, president and CEO at Millrock Resources stated: "Downturns are actually really good times for [project] generator companies like ours and we were able to take advantage of the bearish market. In a down-cycle, mining companies and prospectors are forced to drop their claims. We were able to stake mining claims that otherwise would not be available."

Like every other mining jurisdiction, British Columbia faces its own issues that could deter investments, notably disputes with First Nations over land tenures, but also water permitting and compliance with environmental regulations. Nonetheless, the provincial Liberal Party, which has held the premiership since 2001, has been outspokenly supportive of the mining

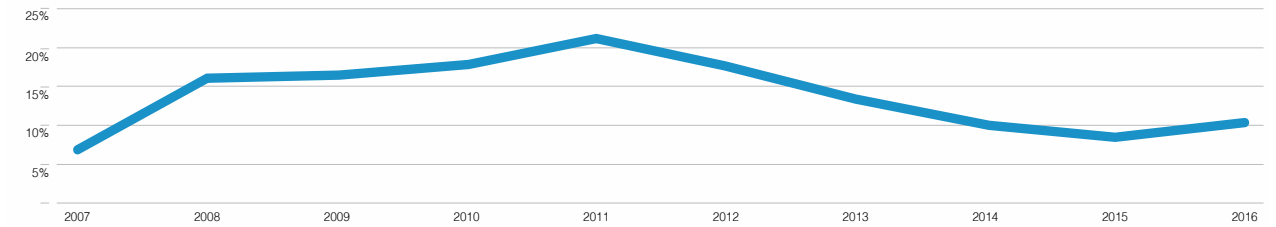
industry. In this regard, concrete steps have been taken to streamline the permitting and regulatory processes. "Until recently, certain mining developments needed to undergo separate environmental assessment processes at both the federal and the provincial level, under the *Canadian Environmental Assessment Act* and the *British Columbia Environmental Assessment Act*. There was some duplication associated with fulfilling the two processes separately, which was perhaps not the best way forward. We now have a substituted environmental assessment process, so that in cases where both federal and provincial environmental assessments are required, there can be a single review based on the provincial process, but a decision both at the federal and provincial level will be made," stated Robin Longe, partner at Norton Rose Fulbright, a global law firm that recently established its presence in Vancouver by merging with the local law firm Bull Housser. Moreover, the 2014 completion of the

Northwest Transmission Line, a 229 KW project extending 344 km from the Skeena substation near Terrace to a new installation at Bob Quinn Lake, has boosted prospects in northwestern British Columbia, a region historically known for housing some of the province's preeminent mines, mainly the Premier Gold mine, Snip and Eskay Creek. A spur line, the Iskut extension, was completed in 2015, extending further north to the Tatogga Lake Substation. Together, these projects represented an investment of over \$900 million and are expected to attract industrial development to this previously remote area, particularly from the mining sector.

Private and public infrastructure investments, such as the development of new roads and the completion of a breakbulk port facility near the town of Stewart, have attracted significant exploration activity. Northwestern British Columbia is believed to be one of the richest mineral regions in North America and has experienced an

**B.C. ORIGIN EXPORTS TO ALL COUNTRIES
SHARE OF TOTAL (%) COAL**

Source: British Columbia Ministry of Energy & Mines



impressive revival despite the global mining downturn. Pretivm Resources is in the last stages of construction of its Brucejack mine. Several companies have followed Pretivm's lead and are vying to advance projects in the region, now commonly referred to as "The Golden Triangle". Such is the case of Seabridge Gold, currently undergoing the permitting process for its KSP project.

Developments in the industry are far from confined to the so-called Golden Triangle. JDS Silver is nearing production at its Silvertip mine, located just south of the Yukon border. This high-grade silver-lead-zinc deposit was acquired back in 2013 and was able to attract funds through the darkest days of the downturn. The project is expected to begin production this year. To the south of the province, exploration projects around the Highland Valley Copper area have also gained traction. Such is the case of Nicola Mining's Thule copper property, where the company aims to resume drilling this year, while outlining plans to make use of its fully permitted mill facility.

Raising financing has long been one of the main issues for juniors in British Columbia. When asked about the main obstacles of operating in B.C., Harlan Meade, president and CEO of Copper North Mountain, noted: "Financing is one side of it. If you were a gold company, you would find the money but until recently, this was not the case for copper. For us to raise [the required capital] it took 24 financings, which is not sustainable."

To address this issue, the provincial government has implemented the flow-through share program, which allows investors in flow-through shares to claim a non-refundable tax credit of 20% of their flow-through mining expenditures in British

Columbia. Moreover, through the federal Mineral Exploration Tax Credit (METC) and B.C.'s flow-through share tax credit, investors can receive a combined 32% tax credit to finance grassroots exploration projects. Reiterating her administration's commitment to the mining sector, Premier Christy Clark recently announced that the Income Tax Act will be modified so that environmental engagement costs would be considered as part of exploration expenditures and therefore qualify for tax credit at the provincial level.

British Columbia's long mining tradition has ensured that the industry's interests are well represented and put forward. In this regard, the Association of Mineral Exploration of British Columbia (AMEBC) has pushed to ensure that the provincial government devotes further funding to Geoscience B.C., which provides information to AMEB.C.'s members for exploration and mineral target identification.

Although the industry could hardly be described as buoyant, clear signs of a turnaround have emerged. Through infrastructure developments and highly automated operations at mining sites, British Columbia has regained economic competitiveness vis-à-vis other mining jurisdictions that may offer cheaper labor costs but higher operational and transportation costs. Furthermore, British Columbia serves as Canada's gateway to Asia, still the fastest-growing region in the world, and the main driver of commodity consumption for years to come. From legislation to market performance of British Columbia's main commodities, we identify a favorable change in tide for the mining sector in this Pacific coastal jurisdiction, where immense potential still lies.



Photo: Courtesy of IDM Mining



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- SHORT TIMELINE TO PRODUCTION
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- AVERAGE M&I GRADE 8.7 G/T AU AVERAGE THICKNESS 16m
- SIGNIFICANT EXPLORATION UPSIDE
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Photo Courtesy of Commander Resources

Insights on the Mining Business

"Skeena Resources is grateful that the British Columbia government is making investments such as the \$800 million power line that now goes all the way to Red Chris."

- Walter Coles,
president & CEO,
Skeena Resources



"Geopolitical risk and security are becoming more of an issue as of late and companies are shifting their attention to deals that are secure in the long run."

- Harlan Meade,
president and CEO,
Copper North Mining



"We have received a lot of support from the local First Nations community and the town of Stewart, but going forward, we will need support from the government. The government seems committed to making the local road corridor more compatible with heavy haul."

- Breanne Boettcher,
business development manager,
Stewart World Port



"It helps that we operate in a jurisdiction like B.C., which offers several competitive advantages including excellent mineral potential; political stability, a good and improving infrastructure system; and a highly skilled labour force."

- Fiore Aliperti,
president & CEO,
Metallis Resources



Exploration

Expanding infrastructure, expanding horizons

Over the past three years, attention has largely centered on the struggles of British Columbia's mineral exploration sector, as the number of juniors established in the province has decreased by roughly 30%, thereby reflecting the state of the global mining industry during this time period. Despite this protracted bearish market, exploration projects in British Columbia (B.C.) have silently moved forward and are starting to garner attention from investors both local and overseas, drawn by the advantageous conditions that this jurisdiction offers. Huge exploration potential lies in B.C.: only 0.05% of land in British Columbia, a province of roughly the same size as Nigeria, is used for mining purposes, evidencing the immense potential for the industry.

Market developments over the past 12 months and forecasts for the upcoming year have helped buoy investors' sentiment. Copper, which accounts for roughly 8% of British Columbia's exports, has experienced a surge of over 35% in its price since hitting an all-time low of US\$1.94/lb in January 2016. Analysts expect this spike in copper prices to continue throughout 2017. Furthermore, gold prices are currently hovering above the US\$1,200/oz. threshold, boosting exploration projects in the province.

Completions of long awaited infrastructure projects during the downturn years have also contributed to an uptick in exploration activity, as more projects become economically feasible amid declining operational and logistical costs. Government incentives, namely the mining flow-through share tax credit, which allows individual investors to claim an income tax credit of up to 20% when buying shares in mining exploration companies in B.C., has also been largely beneficial for juniors and has helped sustain exploration activities during the downturn.

After a rough patch for the sector, exploration activity in B.C. is looking more promising than it has done in years.

Attention Shifts Northwest

Since the late 1800s, the area north of the town of Stewart, near the Alaskan border in northwestern British Columbia, has lured prospectors and gold-hunters with its vast mineral wealth. This has left a deep-rooted mining tradition and a century-long appetite for new projects. The first major discovery in this region led to the development of the Premier Gold mine, which started operations in 1918 and was, at its peak of operations, one of the major silver and gold mines in the world. Since then, major mines such as Snip and Eskay Creek have showcased the region's mineral abundance. In fact, Eskay Creek would go on to become Canada's highest-grade gold mine and the world's fifth largest silver producer, with production in excess of 3 million oz. gold and 160 million oz. silver. Unfortunately, low gold prices during the late 1990s and high operational costs

led to the closure of Snip and subsequently, Eskay Creek. During the first decade of the millennium, exploration projects in the area stalled, as juniors and prospectors opted to acquire projects overseas during the commodity boom years.

The remarkable success stories of Pretivm and Seabridge have been accompanied by a simultaneous wave of new developments that could collectively transform the region, now dubbed 'The Golden Triangle'. Prospect generators and juniors took advantage of the depressed market of the past three years to acquire properties in the area, rightly sensing that when the turnaround finally arrived, their prospects would be much more promising.

Moreover, conditions to operate in the region have improved dramatically, as Walter Coles, president and CEO at Skeena Resources noted: "We paid for a project that had not produced gold since the 1990's, when nearby

infrastructure was poor, operations were costly, and gold prices were declining significantly. Today, gold prices are much higher, and infrastructure in the Golden Triangle has vastly improved. Additionally, we already know the gold is there and that it is high-grade, so our biggest risk is simply trusting the data that we have collected.”

Skeena acquired the historic Snip mine through a deal with Barrick Gold in 2016 and is targeting high-grade gold at the property. The company also owns the Spectrum-GJ project, which was bought from Teck, and the Porter Idaho project, which could hold up to 150 million oz. silver. East of the Snip mine lies Metallix Resources’ Kirkham property, where the company intends to begin drilling this summer following favorable airborne geo-survey results. “We are very pleased with the results of the VTEM survey we conducted in late 2016. These surveys have given us a better understanding of our property’s potential. Metallix has used these results, along with all of the drilling, geochemical and geological data available over the Kirkham property, to identify two targets for drilling in summer 2017: a porphyry target and a shear-vein target,” declared Fiore Aliperti, CEO at Metallix.

British Columbia’s location along the Pacific Rim has helped it secure investments from Asian powerhouses that regard projects in the region as highly attractive given the appetite for commodities of their economies. Last year, Serengeti Resources reached an agreement with the Korean trading company Posco-Daewoo Corporation for its Kwanika project. “Daewoo invested \$1.2 million for a 5% direct interest in the project...the investments went principally toward drilling, which yielded some very encouraging results,” stated David Moore, president and CEO at Serengeti.

The completion of the Northwest Transmission Line and the Iskut extension has resulted in a boost to the region’s competitiveness,

“We very recently acquired mining tenures in the Golden Triangle area. This is a hot exploration and mining area; there have been some wonderful discoveries and a lot of exploration activity in the district.”

- Gregory Beischer, president and CEO, Millrock Resources



drastically bringing down operational costs. Other infrastructure developments, such as new roads in the area, have contributed to increased connectivity. Moreover, 2016 marked the completion of Stewart World Port, a multi-purpose break-bulk port facility that aims to service the region’s main industries, particularly the mining sector. “When the idea of Stewart World Port was conceived, the idea was that it would cater solely to the mining industry due to its proximity to the Golden Triangle. As it turns out, we have been able to serve a number of other industries... Stewart World Port is mostly exporting to China, South Korea and Japan. Shipping out of Stewart instead of Vancouver saves about a day and a half of ocean freight, and it is cheaper,” declared Breanne Boettcher, business development manager at Stewart World Port.

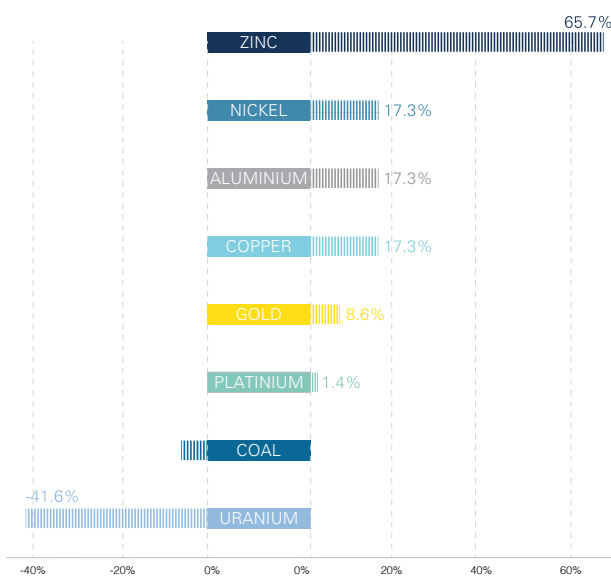
Other Golden Triangles

Despite the intense activity taking place to the northwest of the province, exploration is far from confined to the Golden Triangle. In the Highland Valley area, home of the great copper porphyry deposits that British Columbia is traditionally known for, several noteworthy projects are gaining traction.

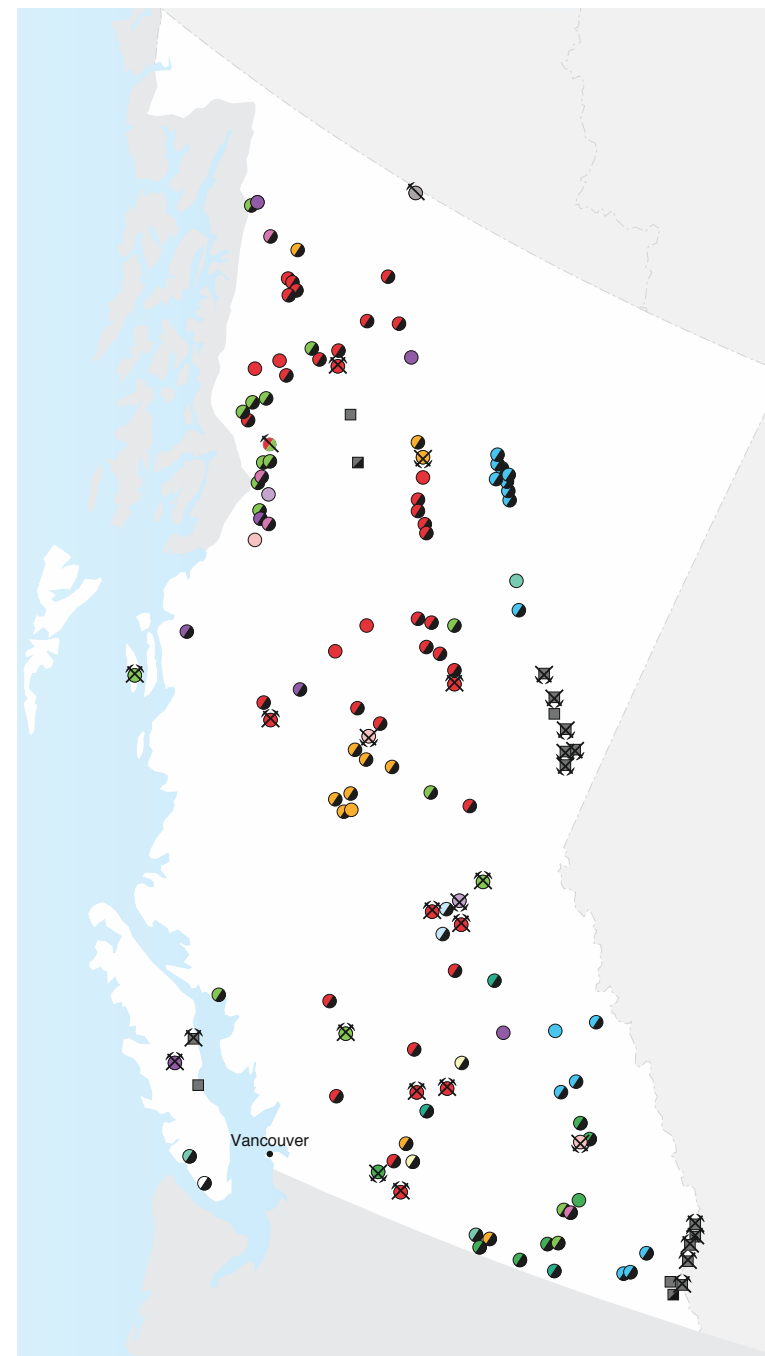
Such is the case of Nicola Mining, a junior company that has successfully turned around its fortunes since 2013 and is now advancing work at its Thule copper property. The company aims to add 10 to 15 drill holes in the property’s Embayment zone this year and explore the Titan Queen zone further. Moreover, Nicola’s fully permitted mill facility has the potential to consolidate small gold and silver mine projects in British Columbia, as the company is allowed to receive material from throughout the province. The consolidation of assets, coupled with an aggressive vision, has been key for the company’s improved fortunes. “I believe junior companies should make more ambitious attempts to take their initial projects all the way into production... Our end goal is to take the project into production ourselves. We have the financial expertise and the geological expertise,” stated Peter Espig, CEO at Nicola.

Promising projects elsewhere in British Columbia encourage optimism for the exploration scene in the province, which can boast a myriad of competitive advantages. Citing the strengths of operating in B.C., Robert Cameron, CEO at Commander Resources, noted: “Our business model is particularly effective [in B.C.] because

COMMODITY PERFORMANCE IN 2016



Source: Tinka Resources



SELECTED EXPLORATION PROJECTS AND OPERATING MINES IN BRITISH COLUMBIA

PROPERTY STATUS

- Operating
- Development
- Exploration Project
- Care and Maintenance
- Proposed

PRIMARY COMMODITY

- Porphyry**
 - Cu±Mo±Au
 - Mo
 - Au
 - Cu-Ag-Au (As-Sb)
 - Vein, breccia and stockwork
 - Au, Cu±Ag
 - Ag-Pb-Zn-Au
- Sediment-hosted**
 - Zn-Pb±Ag
- Epithermal**
 - Au
 - Au-Ag
 - Skarn
 - Cu, Fe
 - W
- Massive sulphide**
 - Cu-Pb-Zn
 - Manto
 - Ag-Pb-Zn
 - Ultramafic/Mafic
 - Ni-Cu
- Carbonatites**
 - Nb
 - Unknown
 - Au±Ag
 - Ni, Co
 - Coal
 - Coal

Source: British Columbia Ministry of Energy & Mines

the government has datasets available that we leverage to find new projects, which is lacking in most jurisdictions. We also have low landholding costs, which make it easier to maintain a large portfolio. This helped abate the effects of the downturn, whereas in other countries, land that is not in use is still subject to high taxes and other landholding costs.”

Commander Resources owns four properties in different stages of development throughout British Columbia and has seven projects in its royalties portfolio - a strategy that proved beneficial to ensure revenues during the downturn.

Service companies serving the exploration industry have also experienced an uptick from clients in the province, particularly from those with prospective projects in the copper porphyry market. Innovation is key for service companies as the mining industry weathers through a protracted period of uncertainty and is constantly looking for innovations that make their operations more efficient and their investments safer. “A priority for us is to ensure that we are constantly evolving by investing in research and development. Geotech spends \$2.5 million per year on developing our product regardless of the mining sector’s health. If anything, innovation becomes more of a focus during a downturn because we know we need to be prepared for when the market bounces back and demand returns,” declared Mandy Long, director of global sales and marketing at Geotech, an airborne geophysical survey company. Exploration projects in British Columbia continue to take off, as juniors and investors acknowledge the strengths and competitive advantages that operating in this province entails.

Production and Development

Value of production rebounds strongly

In line with surging exploration activity, production figures for British Columbia have experienced an important uptick over the last year. The British Columbia Ministry of Energy and Mines estimates the total value of mine production for 2016 at CAD\$7.1 billion, representing a 21% increase year-on-year and the province's highest annual figure since 2012. This uptick in the value of mineral production contributes to the positive turnaround in business sentiment, as majors are beginning to reap the benefits of higher commodities prices. British Columbia's main commodities, coal and copper, comprised 46% and 31%, respectively, of the province's total mining output. Meanwhile, gold has gained ground and now represents 10% of B.C.'s mining output by value, up from 7% two years prior. Likewise, exports of metallic mineral products from British Columbia increased

by 9% during 2016, reaching CAD\$4.8 billion, and representing over 12% of the province's total exports. Additionally, coal exports posted strong growth of 33%, reaching, CAD\$4.2 billion and representing almost 11% of B.C.'s total exports, mainly driven by strong demand from Asia. In fact, roughly 60% of British Columbia's metallic minerals and coal exports were shipped to destinations across the Pacific in 2016.

Teck's turnaround in fortunes

Overall, eight metal mines and seven coal mines are currently in production in British Columbia. Of these, one metal mine and five coal mines are operated by the Vancouver-based giant Teck Resources. Teck's Highland Valley Copper mine, the largest open-pit copper mine in Canada, has produced in excess of 120,000 mt/y of copper since 2014. The company announced in late 2016 that

its wholly owned subsidiary, Teck Highland Valley Copper Partnership, had entered an exploration and material purchase agreement with junior company Nicola Mining at the latter's nearby Thule Copper property. In the coal-rich southeastern British Columbia, Teck operates the Coal Mountain, Elkview, Fording River, Greenhills and Lines Creek coal mines. Teck has greatly benefitted from a marked surge in the price of steelmaking coal during 2016, which rose from below US\$80/mt to above US\$300/mt in November last year. Since then, however, prices have dropped and have fluctuated between US\$150/mt and US\$200/mt during 2017. Teck's was the best performing stock in the Toronto Stock Exchange in 2016 and the company announced that the annual profit attributable to shareholders for 2016 had reached US\$1.1 billion, up from US\$188 million in 2015.

Bright prospect as major projects loom

Additional operating metal mines in British Columbia include Copper Mountain's namesake mine, Centerra Gold's Mount Milligan, Taseko's Gibraltar mine, New Gold's New Acton and Imperial Metals' Red Chris, Huckleberry and Mount Polley mines. Aside from Teck, Conuma Coal and Hillsborough Resources also operate coal mines in the province.

Major projects in different stages of development have contributed to the buzz in the sector. The first is Pretivm's Brucejack, a high-grade (16g/mt gold) underground mine, with proven and probable mineral reserves at its Valley of Kings deposit of 8.1 million oz. gold and an estimated mine life of over 18 years. Pretivm's success in developing the Brucejack mine has encouraged companies looking to advance B.C.'s next breakthrough project and the mine is expected to commence production this year.

Another widely followed success story comes from Seabridge Gold, whose KSM project is perhaps the world's largest undeveloped

gold project, based on mineral reserves. The latest inferred resource estimates at its Deep Kerr deposit total 19 million oz. gold and 1.92 billion mt grading 0.4% copper. Capital costs for KSM are expected at US\$5.5 billion and the project has an expected mine life of 51 years. KSM has received approval from provincial and federal authorities and is only the second metal mine to do so in the past five years in B.C.

Like Pretivm and Seabridge, IDM Mining is currently developing its flagship Red Mountain project in the Golden Triangle. The company has capitalized on existing infrastructure and work performed in the property and is eyeing a 1,000 mt/d operation with production of 80,000 oz. gold per year. Red Mountain's proximity to the town of Stewart makes transportation and operational costs more competitive, adding to the already proved economic viability of the project. Additionally, the company has enjoyed constructive relations with the local Nisga'a First Nation thereby facilitating the development process. IDM is expected to announce a construction decision in the last quarter of 2017 at the earliest. Reflecting on the developments during 2016 for the company, Robert McLeod, president and CEO at IDM declared: "2016 was a transformative year. We raised 20 million dollars...raising money for this project has not been easy because of the conditions of the markets but there is significant interest from our shareholders, particularly as these projects in Canada are rare. There is tremendous exploration potential as well, which we will continue to perform."

Over the coming year, more mines are projected to come out of care and maintenance as commodity prices increase and their gains appear more sustainable. Government initiatives have helped avoid projects stopping production as Karina Briño, president and CEO at the Mining Association of British Columbia explained: "In response to the rapid decline in commodity prices, which resulted in a number of mines being placed in care and maintenance affecting approximately 20% of the workforce in the province, industry got together with government to avoid further impact on the communities. These conversations identified electricity payments as one of the highest costs. A five year deferral program was established, whereby mining companies can opt to defer electricity payments for up to two years depending on commodity prices. This program enabled many operations to remain open, kept people employed and minimized the impact on the community."

Production results in 2016, coupled with the industry's newly found optimism for development and construction, should bode well for a return of capital influx to British Columbia. Service companies serving the mining sector have already started to feel the surge in activity and are increasingly bullish about operations in the province: "2017 has so far been the best start to a year in our 25-year history, with 21 drills that will be deployed by mid-February", declared Brian Butterworth, president at Hy-Tech Drilling, a Vancouver-based company.

Key projects in the construction and development phases promise to add a further boost to mineral production in British Columbia, which already rebounded strongly during 2016, posting double-digit growth. Following four years of steep declines production growth is likely to be sustained.

Robert McLeod

President, CEO & Director,
IDM Mining



Can you provide a brief history and overview of IDM's Red Mountain project?

We acquired the property in 2014, which was the bottom of the bear market. We capitalized on the extensive previous work that had been done and we identified that we had an economically viable project. There has never been any production in Red Mountain but you can move 2,500 mt/d, as there is some infrastructure in place. This has really helped our project's economics. The two best things about the ore body are that it is high grade, it averages 8 and 10 g/mt, and that it is wide and amenable to bulk underground mining, averaging from 16 to 40 meters wide. We expect on our feasibility study to show that this is definitely going to be lower quartile in terms of cost for gold producers. Capital costs are of about \$85 million. We are looking at a 1,000 mt/d operation and the project should produce 80,000 oz. per year.

It is only a 45 min. drive from Stewart. Therefore, we do not require a camp. We are consulting with the Nisga'a nation and negotiations have advanced smoothly. The Nisga'a nation is very receptive and they have negotiated with companies like Pretivm and Seabridge. In fact, I would say they have been one of the greatest cheerleaders of the project.

How would you describe IDM's market performance and capital raising efforts?

2016 was a transformative year for the company. We raised US\$20 million. We have three significant corporate shareholders: Kinross, Osisko Mining and Premium Gold and we are 55% institutionally held by top funds out of Toronto, New York and Europe. Raising money for this project has not been easy because of the conditions of the markets but there is significant interest from our shareholders.

What could the B.C. government do to foster investment?

On the exploration side, the great Canadian advantage is the flow-through tax credit. However, Manitoba and Quebec have a more competitive flow-through scheme than B.C. This makes a big difference in terms of investments going to the ground. If the government could help with the financing of infrastructure to access ore projects, it would make many more projects feasible. Other than that, I do not think there is much missing in B.C. •



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Thule Copper Property

Treasure Mountain Property

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Yukon

Where Mining Past and Present Meet

The history of Yukon is intrinsically related to mining activity in the region. In fact, it was the large influx of prospectors and explorers during the infamous Klondike Gold Rush in the late 19th century that led to the separation of the Yukon district from the Northwest Territories and hence, the creation of the Yukon Territory in 1898. The legacy of the Klondike Gold Rush is still visible throughout, with towns such as Dawson preserving its mining heritage and conserving the architectural legacy of the epoch. Harsh weather and adverse geological conditions ultimately led to the retreat of gold rushers in the early 1900s, although Yukon's potential is widely acknowledged to this day. Innovation in exploration and drilling techniques has made mining activities



John McConnell,
Director, President & CEO,
Victoria Gold

increasingly feasible in Yukon, particularly in regards to water scarcity, one of the main deterrents for drilling in the territory. Water management systems now allow water to be reused during the drilling process, resulting in a remarkable reduction of

water consumption. Moreover, Yukon possesses noteworthy competitive advantages. Land holding costs amount to only \$100 per claim annually, making the territory attractive for project generators and prospectors. First Nations disputes, a source of concern for investors in neighboring British Columbia, are rare in Yukon. On the infrastructure front, both the federal and Yukon government have placed emphasis on the construction of highways and roads across the territory, devoting roughly 27% of all infrastructure investments to these types of projects and enhancing Yukon's connectivity.

These strengths, together with ameliorating and seemingly stable gold prices, are making operations in Yukon increasingly attractive and are luring back major investors. Through the \$500 million acquisition of Kaminak Gold in July 2016, Vancouver-based giant Goldcorp took over the Coffee project, approximately 130 km south of Dawson City. Drilling at the Supremiata target during the last quarter of 2016 yielded positive results, with intercepts of 4.79 g/mt gold over 9.14 m from 114 m and 4.52 f/mt gold over 15.24 m from 30.5 m. Probable reserves at Coffee are estimated at 46 million mt grading 1.45 g/mt for 2.2 million oz. gold, with an expected mine life of 10 years. Other companies with a presence in Yukon include Agnico Eagle, White Gold Corp, Victoria Gold, Strategic Metals, and Kinross Gold.

Victoria Gold is no stranger to operating in Yukon, having acquired its Dublin Gulch property since 2009 and focusing on the development of its Eagle Gold project since then. The company is expected to start the construction of what will become Yukon's largest gold mine later this year. Commenting about the past year of operations for the company, John

McConnell, president and CEO, noted: "2016 was a transformational year for Victoria. We received our final permit for the Eagle Gold project in 2015, so we were able to speak of the advancement of Eagle being a fully permitted project throughout 2016. In September, we issued an updated feasibility study that has very results, so we started to get more attention. It is rare to come by a fully permitted project, with extremely good economics that is based in as safe a jurisdiction as Yukon."

Victoria Gold has attracted interest from strategic investors such as Tom Kaplan's Electrum Group and Sun Valley Gold, which together invested \$24 million in the project. Further potential lies for exploration and development in the property: "We acquired the Dublin Gulch property in 2009 and since then, we have devoted most of our efforts on developing Eagle. Only in the last couple of years have we looked at the wider regional potential. We have now identified through geochem and geophysics, about 15 km of mineralized trend with numerous targets. Two years ago we focused on an area called Olive-Shamrock, which now has a reserve of which some is included in the feasibility study. This year we will spend a further \$6 million on exploration; \$3 million at Olive-Shamrock, and an additional \$3 million doing preliminary exploration work at additional targets we have identified."

Likewise, project generators are certain about Yukon's golden future and have consolidated strong property portfolios during the downturn, foreseeing the arrival of majors and juniors over the coming years. Such is the case of Strategic Metals, a project generator company with one of the most diversified asset portfolios in this territory. "Strategic Metals has acquired over 100 projects in the Yukon, as well as a



Douglas Eaton,
president & CEO,
Strategic Metals

few in British Columbia and the Northwest Territories. Our properties are well suited for option or sale because we own 100% of them and have no underlying NSRs. We have the permits in place to drill up to 3,000 holes or 500,000 meters on various projects, which makes them particularly attractive to aggressive optionees or purchasers. We have begun to feel an uptick in 2017 and we have had a lot of interest in our diverse project portfolio and we expect to do several deals as the upswing matures. Previous cycles have shown that once we begin to make sales, there will be a domino effect. Success breeds success," declared Douglas Eaton, president and CEO at Strategic Metals. Despite Yukon's vast potential and gold reserves, the territory currently hosts only one producing mine, Capstone's Minto copper mine. Nonetheless, this is set to change over the following years, as Victoria Gold's Eagle mine approaches construction and majors eye the advancement of development at their properties. As in British Columbia, companies are drawn by Yukon's mining-friendly legislation and the territory's immense exploration potential. With Yukon's largest gold mine approaching construction, history is to be made again in this territory.



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First Nations

First port of call

British Columbia is home to 198 First Nations, holding by far the greatest diversity of aboriginal cultures in Canada and representing roughly one third of all First Nations in the country. Approximately 200,000 British Columbians identify themselves as aboriginal and there are over 30 different First Nation languages and close to 60 dialects spoken throughout the province. This great diversity and heritage are subjects of regional pride and showcase British Columbia's cultural richness.

Nonetheless, tensions with First Nations and the mining sector remain a matter of concern. It is important to note that, unlike other provinces and territories in Canada, most First Nations in the province did not sign treaties in the past, making modern treaty negotiations a pending issue. Nonetheless, both the provincial and federal governments have

"We have recently seen a number of successes in British Columbia where First Nations have been involved in the process and willing to working with mining companies to promote responsible development in their territory."

- Robin Longe, partner,
Norton Rose Fulbright



scaled up efforts in negotiating with First Nations and are currently engaged in talks with roughly 70% of First Nations through the B.C. Treaty Process.

The treaty process aims to build new relationships and achieve certainty over the ownership and use and management of land and resources, one of the chief concerns of the mining industry. Parallel to government negotiations, mining companies have undertaken efforts to engage with First Nations communities and find common ground by including them in the benefits of their projects. Several developments, ranging from infrastructure to major mines, showcase that tensions with First Nations, if they arise, can be overcome. Moreover, the mining industry has greatly improved relations with First Nations as a whole and it has now seized the vast opportunities and added value that engaging with First Nations brings to their projects.

Industry leaders have repeatedly found that First Nations' attitudes can change over time, despite the commonly held view that aboriginal communities are reluctant to negotiate or change their perspectives. Speaking about the Kemess Underground project, John Miniotis, vice-president of corporate development at AuRico Metals, noted: "About 10 years ago, when the property's predecessor owned it, there was opposition from the local First Nations to develop an open-pit mine on the property, and AuRico were denied the certificate of approval. Since then, AuRico has been looking to develop an underground project. There is a historic open pit mine at Kemess South, and the tailings from the underground project will be deposited there. The First Nations see significant opportunities in our project in terms of employment, and we are glad to have their support."

AuRico is anticipating its environmental assessment approval for Kemess Underground by late March 2017.

Infrastructure projects in the increasingly busy Golden Triangle area have been successfully completed largely through cooperation with First Nations communities in the area who are increasingly supportive of these projects as they bring economic opportunities to otherwise marginalized regions. "We have received a lot of support from the local First Nations community. The negotiation process with First Nations was very smooth. Ted Pickell has owned and operated Arctic Construction for 60 years, and he has always made a point of working with First Nations right from the beginning. It is key to approach them without a fully formed idea and offer them a chance to lend their support and guidance. We don't think of it as a burden, but rather as an opportunity to learn about the area of interest," declared Breanne Boettcher, business development manager at Stewart World Port.

Similarly, service companies have prioritized relations with First Nations communities in the areas where they operate. "Hy-Tech believes in working with First Nations to build capacity and, in return, offer education, employment, and training opportunities...we have several aboriginal employees on our payroll and actively recruit in First Nation communities within the regions where we operate. Mining companies tend to understand the importance of working together

"Carube has not experienced any hurdles with First Nations at all. The exploration agreement process was very easy and successful. They delineated which portions of land were accessible and which were not, and we abided by their stipulations."

- Jeffrey Ackert,
president and CEO,
Carube Copper



with local First Nations as opposed to trying to circumvent them," declared Brian Butterworth, president at Hy-Tech Drilling. Healthy relations with First Nations are of paramount importance for junior companies, as disputes can halt the advancement of their projects and severely disrupt their operations. In this regard, Jeffrey Ackert, president and CEO of junior company Carube Copper, noted: "Carube has not experienced any hurdles with First Nations at all. Our predecessor company developed a rapport with two native bands in the area, both of who had already set aside land for the purpose of mineral development. The exploration agreement process was very easy and successful. They delineated which portions of land were accessible and which were not, and we abided by their stipulations. We have maintained communication with both bands."

Partnerships between First Nations and the industry have proved beneficial to advance new projects, and are regarded as win-win outcomes for both parties. Elaborating on First Nations relations with mining clients, Robin Longe, partner at global law firm Norton Rose Fulbright explained: "To counter the uncertainty associated with aboriginal claims, we have seen mining industry clients start to engage with First Nations at the earliest stages of exploration or enter into arrangements where industry is partnering with the First Nation in the development of the resource. It is a misconception that most First Nations are anti-development. We have recently seen a number of successes in British Columbia where First Nations have been involved in the process and willing to work with mining companies to promote responsible development in their territory."

First Nations have been increasingly receptive about mining projects throughout British Columbia, and the number of disputes has decreased following treaty negotiations with First Nations communities. Increased certainty over ownership and use of land and resources adds a further advantage to operating in British Columbia, already regarded as one of the safest and most competitive mining jurisdictions in the globe.



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