

Yukon Mineral Exploration Program Update 2015-2016

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PROGRAM SUMMARY

The Yukon Mineral Exploration Program (YMEP) is a funding program designed to support individual prospectors, partnerships and companies by providing a portion of the risk capital required to locate, explore and develop mineral occurrences in Yukon. YMEP funding has consistently demonstrated its impact as an effective economic incentive by supporting exploration work that has led to numerous discoveries, which in turn, have provided significant long term economic benefits to the territory.

YMEP funding supports placer and hardrock exploration projects by reimbursing a percentage of approved exploration expenditures. Funding is merit-based; a panel of geologists evaluate submissions using a ranking system designed to score a range of criteria, quantifying the quality of the target, the proposal, the work plan and the applicant's previous YMEP performance. This scoring system is available on our website at <http://www.geology.gov.yk.ca/ymep.html>. The program comprises three different modules of varying reimbursement rates and maximum allowable funding (Table 1 and Fig. 1).

Table 1. YMEP 2015 funding.

| 2015 Funding Levels | Grassroots | Focused Regional | Target Evaluation |
|--|---------------------------------|--------------------------------|--------------------------------|
| maximum funding | \$15 000 | \$25 000 | \$40 000 |
| reimbursement rate | up to 100% of eligible expenses | up to 75% of eligible expenses | up to 50% of eligible expenses |
| no. of approved placer applications | 2 | 0 | 13 |
| no. of approved hardrock applications | 1 | 12 | 34 |

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| YMEP 2015 At A Glance | | | |
|--|--|---|--|
| | Grassroots | Focused Regional | Target Evaluation |
| Funding | max \$15 000 | max \$25 000 | max \$40 000 |
| Reimbursement rate | up to 100% of eligible expenses | up to 75% of eligible expenses | up to 50% of eligible expenses |
| Scope of work | to generate new targets and advance existing ones | to generate new targets | to evaluate and advance already known targets |
| Who is it for | individual prospectors only (no companies nor anyone working on behalf of a company) | prospectors, companies, partnerships | prospectors, companies, partnerships; projects with total exploration expenditures less than \$300 000 |
| Work to proceed on | on claims, leases, or crown land | on claims, leases, or crown land | on claims, leases, coal exploration licenses, or quarry leases, not crown land |
| Advance of funds | no advance | no advance | no advance |
| Field time requirements | minimum 30 person-days in field, daily log and final technical report | no constraints on time in field, final technical report | no constraints on time in field, final technical report |
| Holdback/reports | 15% of funds will be held back until submission of final reporting requirements | | |
| Reporting deadlines | Project proposal: March 31, Status Report: September 30, Final Financial Report and Final Summary/Technical report, release of funds: January 31 of following calendar year | | |
| Confidentiality | reports will be kept confidential for 5 years | reports will be kept confidential for 2 years | |
| Module-specific eligible expenses | applicant cannot draw wages but wages for one assistant are eligible | | road building costs up to <25% of YMEP contribution if pre-approved, drilling |
| Eligible expenses | conventional exploration work, travel within Yukon (truck, helicopter, etc.), assays, shipping, wages (applicant not eligible in grassroots module), WCB, contracts, equipment rental, daily field expenses, fuel, claim staking, reclamation, limited physical work | | |
| Staking | staking costs up to 20% of eligible contribution | | |
| Travel | travel within Yukon (truck, helicopter, etc.) up to 25% of eligible contribution | | |
| Reimbursement rate guidelines | Expenses reimbursed according to YG guidelines. Private and commercial rates are provided. Private rates for heavy equipment are 75% of commercial rate as approved by YG. | | |
| Eligible use of machinery | use of light equipment (<5 tons) | | use of light or heavy equipment |
| Non-eligible expenses | GST, recording fees, management fees, costs of applying for permits or licenses, project planning and compilation, legal fees, promotional expenses, transportation outside Yukon, underground work, preparation for mining, mining, acquisitions, repairs | | |
| Compliance | applicants must ensure that proper permitting is in place and that their work programs satisfy existing laws and regulations | | |

Figure 1. A summary of the YMEP program guidelines. Please reference the YMEP guidebook or <http://www.geology.gov.yk.ca/ymep.html> for more detailed information.

UPDATE FOR 2015

The program was oversubscribed again in 2015, with 103 applicants competing for \$1.4M in funding. The Government of Yukon recognized the capital crisis in the mining markets and maintained the enhanced funding of \$1.4M in 2015. This enhanced funding is intended to support the exploration industry through these challenging times. In light of the current financial challenges facing the exploration industry, YMEP funding was highly successful in pushing projects forward, and has resulted in several potentially significant hard rock and placer discoveries in 2015. The funding level for the YMEP was recently announced at the Yukon Geoscience Forum and will remain unchanged at \$1.4M for 2016.

The competition for YMEP funding was very tight in 2015 and many quality projects were unable to be funded due to budget constraints. Challenges to secure equity financing, especially amongst the junior mining applicants, led multiple applicants to withdraw their applications. Table 2 outlines historical funding levels for the past six years.

A total of 62 applications were offered funding. The amount available under the grassroots module was unaltered from 2014 at \$15 000. The Focused Regional module remained at \$25 000 and the Target Evaluation module decreased by \$10 000 to a maximum of \$40 000. The funding levels for 2015 were determined from suggestion received in last year's online survey. The majority of respondents indicated that funding more

projects at a reduced dollar value was a preferable approach. Of the 62 successful applicants 3 projects were in the Grassroots module, 12 in the Focused Regional module and 47 in the Target Evaluation module. This year, most applications were funded at the maximum allowable based upon the proposed budget.

Of the 62 applications that were offered funding in 2015, hardrock projects account for 72% of the successful applications and placer projects account for the remaining 28%. Individual prospectors and private companies secured approximately 66% of available funds while public junior mining/exploration companies received approximately 34% of the funds. The breakdown between the different modules and the demographics of the applicants over the past three years is outlined in Table 3.

In 2015, the bulk of placer projects were centered in the Klondike placer district, three projects were in the south west Yukon area and two in the McQuesten area. Hardrock projects were fairly evenly distributed throughout the territory. Gold appeared to be the most sought after commodity again this year and some clustering of projects occurred around exciting recent discoveries in the Klondike/White Gold area, with the majority of projects south of the Tintina trench. Other successful applications were located in south and central Yukon (Fig. 2). Forty-nine projects targeted gold as the primary commodity (placer, structurally controlled, epithermal, Carlin style, intrusion related and orogenic deposit types), three projects identified vein hosted

Table 2. YMEP historical funding, fiscal years 2010-11 through 2015-16.

| Historical funding | 2010-11 | 2011-12 | 2012-13 | 2013-14 | 2014-15 | 2015-16 |
|--|----------------|----------------|----------------|----------------|----------------|----------------|
| available funding | \$1.67M | \$570 000 | \$570 000 | \$1.17M | \$1.4M | \$1.4M |
| no. of applications | 165 | 83 | 79 | 81 | 111 | 103 |
| approved projects | 83 | 34 | 29 | 55 | 51 | 62 |
| max funding level grassroots | \$15 000 | \$15 000 | \$15 000 | \$15 000 | \$15 000 | \$15 000 |
| max funding level focussed regional | \$25 000 | \$15 000 | \$15 000 | \$15 000 | \$25 000 | \$25 000 |
| max funding level target evaluation | \$50 000 | \$25 000 | \$25 000 | \$35 000 | \$50 000 | \$40 000 |

Table 3. YMEP funding statistics for fiscal years 2013-14 through 2015-16.

| | 2013-14 | | 2014-15 | | 2015-16 | |
|---------------------------------|------------------------|-----------------------|------------------------|-----------------------|------------------------|-----------------------|
| <i>Approved projects</i> | # of approved projects | % of approved funding | # of approved projects | % of approved funding | # of approved projects | % of approved funding |
| approved placer | 7 | 15% | 14 | 22% | 15 | 28% |
| approved hardrock | 48 | 85% | 37 | 78% | 47 | 72% |
| total projects approved | 55 | | 55 | | 62 | |
| prospectors/ individuals | 28 | 36% | 20 | 30% | 24 | 34% |
| private companies | 16 | 33% | 12 | 29% | 21 | 32% |
| public companies | 13 | 31% | 19 | 41% | 17 | 34% |

silver as the target, three projects explored for porphyry copper potential, two for VMS style mineralization, two jade projects, one aggregate project, and two proposal looked at magmatic massive sulphide copper/nickel/PGE prospects.

YMEP's aim is to keep a variety of projects at various stages of advancement operating in Yukon. Of the 2015 approved projects, 30 of the projects indicated that soil/silt sampling and prospecting/geological mapping would be the primary focus of the program, 11 programs completed various ground and airborne based geophysical surveys, 19 of the project proposals were for drilling and/or trenching and 2 projects proposed hand shafting.

The success of the program can be measured by a number of indicators such as dollars leveraged, new discoveries and option agreements entered. In 2015, ~\$4.2M was proposed to be leveraged from YMEP funding. It was a very challenging year across the board for option agreements, as many options were returned to the vendors. However, a couple of very encouraging YMEP discoveries were made in 2015 which will stimulate exploration expenditures in the years ahead (Table 4). In 2015, YMEP funding contributed to the discovery of twelve new potentially significant occurrences. One

junior explorer was able to option their property to another junior explorer and three prospectors were able to option their placer prospects to major Yukon based placer miners. Several other applicants have been in discussions regarding the optioning or sale of their YMEP funded projects. Benefits of the program can span several years: follow-up property option and/or exploration work may occur several years after the initial YMEP funding. A number of significant properties including Coffee, Red Mountain and Mariposa have benefited from YMEP funding in the past which has led to additional exploration expenditures and various property agreements.

Program materials will be updated and posted on the YMEP website prior to the application deadline. New versions of the application form, scoring criteria, and the program's guidelines will be available for download.

YMEP is designed to meet the needs of the users of the program and to act as an engine for stimulating economic development; therefore, the program is continually evolving to meet these goals. Any additional changes to the program's guidelines and maximum funding levels will be announced upon completion of the yearly program review. Funding for 2016 was announced at the Yukon Geoscience Forum and will remain at \$1.4M.

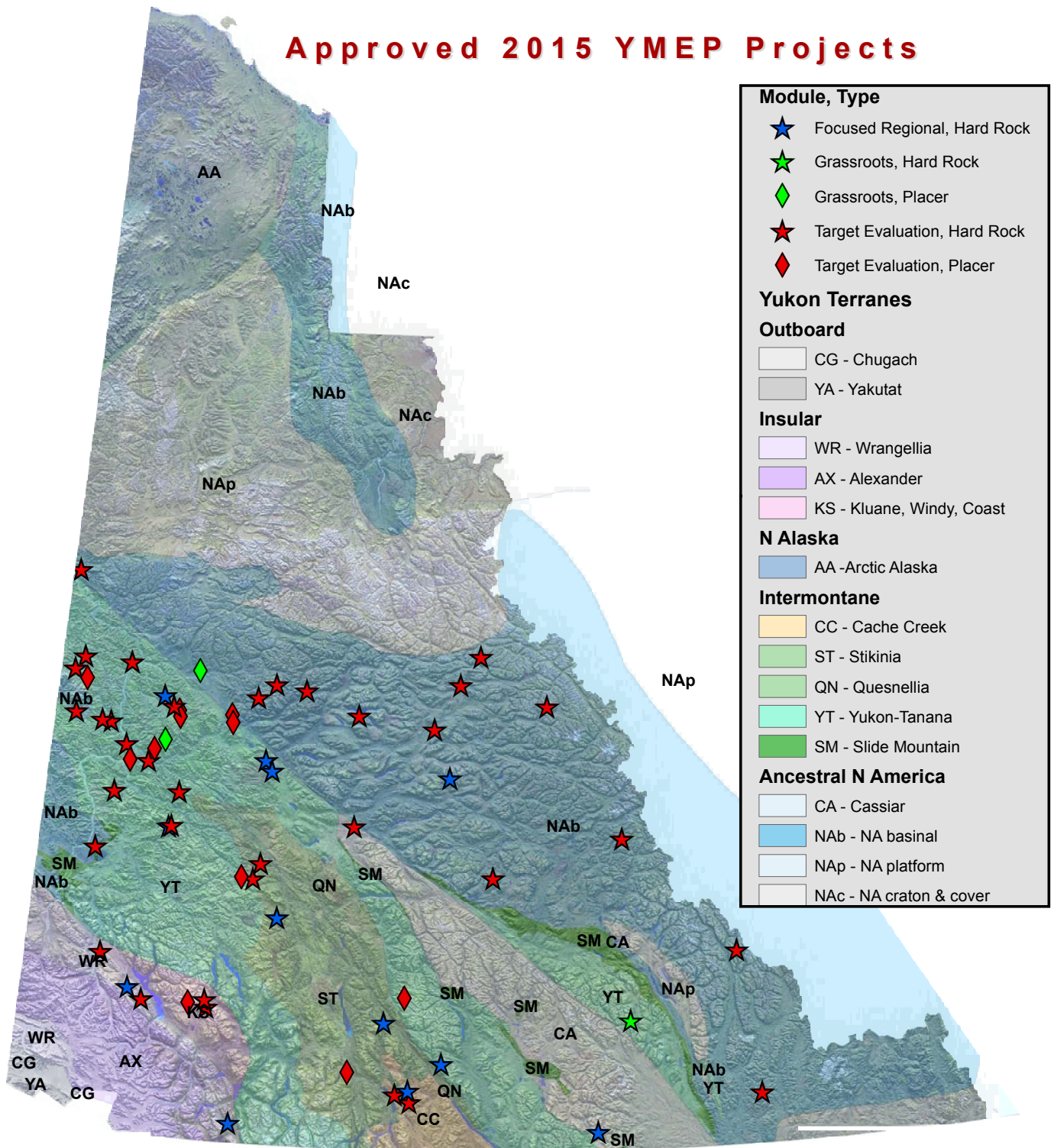


Figure 2. Yukon map of approved 2015 YMEP projects.

Table 4. YMEP successful options 2000-2015.

| YMEP Successful Options (2000-2015) | | | | |
|--|----------------------|-----------------------------------|-------------------------------------|--|
| YMEP# | Property Name | Total YMEP Contribution(s) | Optioned by | Company investment or work commitment |
| 01-011 and 15-030 | Ice/Red Mountain | \$52 500 | AM Gold | ~\$7.6M |
| 03-079 | White Gold | \$10 000 | Underworld/Kinross | ~\$33.2M |
| 04-072 and 05-043 | Blende | \$30 000 | Blind Creek Resources | >\$5M |
| 05-058 | Andrew | \$14 400 | Overland Resources | ~\$6.5M |
| 06-054 | Antimony Creek | \$10 000 | Logan Resources/ Golden Predator | ~\$0.35M |
| 04-041 and 07-043 | Coffee | \$35 000 | Kaminak Gold Corp. | ~\$97M |
| 07-056, 08-012 and 09-112 | Toni/Sixty Mile | \$33 000 | Radius Gold | ~\$4.5M |
| 03-023, 06-033 and 09-137 | Scheelite/Gold Dome | \$75 000 | Golden Predator | ~\$1.4M |
| 09-015 | Clear Creek | \$10 450 | Golden Predator | ~\$4.1M |
| 09-016 and 017 | Ten Mile Creek | \$25 600 | Radius Gold | ~\$0.63M |
| 09-158 | Prospector Mountain | \$30 750 | Silverquest Resources | ~\$3.85M |
| 09-116 | Cynthia | \$15 350 | Golden Predator | ~\$1.7M |
| 09-173 | Shark/True Blue | \$21 354 | Great Western Minerals | ~\$1M |
| 10-097 | Portland | \$14 320 | Taku Gold | ~\$1.25M |
| 00-069, 06-005, 06-006 and 15-014 | Mariposa | \$76 000 | Pacific Ridge | ~\$4.9M |