

June 23rd, 2009

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To: Bryony McIntyre
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Re: QMA Draft Royalty Regulation for Review and Comment

Dear Ms. McIntyre

Thank you for inviting comments on the Yukon Quartz Mining Royalty Regulations from the Yukon Conservation Society.

YCS is concerned that the proposed amendments will continue to short change the Yukon public through low or non-existent royalties. YCS strongly urges the Yukon Territorial Government to adopt a Net Smelter Return System as opposed to what is suggested in the draft regulations.

Definition of Royalty

A royalty is not a tax, but a payment to Governments (First Nations and Yukon) for the extraction of a non-renewable and scarce resource. It should not be based on the company's ability to pay, but on a real estimate of the social, ecological and economic value of the minerals extracted to both present and future generations.

A royalty is the Yukon's share of the mineral extracted, irrespective of the costs incurred in doing that extraction. Taxation and tax incentives to encourage mining are something completely different, and are appropriately dealt with through the Department of Finance, not the Department of Energy, Mines and Resources.

Net Smelter Return System

The Net Smelter Return formula comes closest to ensuring the Yukon receives its share of the value of the minerals extracted through mining. It is the formula that mining companies rely on when they are negotiating with each other. It is also the formula being used between Selkirk First Nation and the Minto Mine operators.

Net Smelter Return Royalties are calculated on the amount received by the mine or mill owner from the sale of the mineral product to the treatment plant that converts the output of the mill to marketable metal.

From the gross proceeds received there may be deductions for costs incurred by the owner after the product leaves the mine property and before sale, such as the costs of transportation, insurance or security, penalties, sampling and assaying, refining and smelting and marketing. But no deductions are made for the operating costs of the mine-mill complex.

Quartz Mining Royalty Regulation proposed amendments

The Quartz Mining Royalty Regulation proposed amendments are profit based, allowing the deduction of so many things before the profit calculation that it is almost impossible to arrive "in the black" at the end. The amendments remove some deductions but add others, including a depreciation allowance that would likely result in the profit being zero for most of the life of short-term mines.

YCS strongly recommends that the Yukon implements a royalty regime based not on the company's ability to pay but on a Net Smelter Return.

Yours truly

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