



KUDZ ZE KAYAH PROJECT OVERVIEW EXECUTIVE SUMMARY

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PREFACE

This document is intended to provide an overview of the Kudz Ze Kayah (KZK) mine project (the Project), including the existing environmental and socioeconomic conditions, potential effects and proposed mitigative measures. The intent of the document is to provide the Yukon Environmental and Socio-economic Assessment Board (YESAB) Executive Committee with a "Project Overview" in summary form, yet with sufficient detail so as to provide a knowledgeable overview. BMC Minerals (No.1) Ltd ("BMC" or the "Company") intends to submit its complete Project Proposal to YESAB early in the new year and this Pre-project Proposal Report has been prepared in part after consultation with YESAB and others. BMC's strategy for early engagement with YESAB is intended to facilitate the scoping of the Project Proposal with respect to identification of potential data gaps; the communities required for consultation, and other such aspects. Through early engagement with YESAB, BMC's intent is to support an efficient and streamlined review and assessment of its Project Proposal. BMC is looking forward to engaging with YESAB during the review of this document to provide further information as required to support a thorough environmental assessment.

For clear understanding this document refers to "Kaska" and "Kaska Nation" as meaning collectively, Ross River Dena Council, Liard First Nation, Daylu Dena Council, Dease River First Nation and Kwadacha First Nation people. The Project lies entirely within the traditional territory of the Kaska Nation. Under the Kaska Collaboration Agreement (KCA) of October 2011, for each negotiation on a project carried out pursuant to the KCA, a Lead Community will be identified by the Kaska Nation from the jurisdiction (Yukon or B.C.) in which the project is located. For the KZK Project the two primary Kaska communities are Liard First Nation and Ross River Dena Council (RRDC) with RRDC acknowledged as the lead agency under the KCA.

BMC will be using the Project Overview as a platform upon which to base detailed consultation with our Kaska partners about the KZK Project; its potential impacts, and the proposed mitigative measures prior to submission of the Project Proposal.

Please note that by its very nature and as the result of feedback and ongoing consultation, elements of the final Project Proposal, as finally submitted, may differ from this preliminary summary. In any case the final formal submission shall be taken as the definitive document.

EXECUTIVE SUMMARY

Project Proponent

The Project is proposed by BMC Minerals (No.1) Ltd who own the mineral claims over the Project area.

Project Overview

The KZK Project is a proposed open pit and underground copper, lead, zinc, silver and gold mine located approximately 115 km southwest of Ross River, Yukon. The Project was licensed for mining, mineral processing and related activities in 1998, and BMC is the holder of a Class A Water Licence QZ97-026 issued for these purposes.

BMC is proposing mining, construction and mineral processing activities for the ABM Deposit, of which there are two zones; the ABM Zone and the Krakatoa Zone. The ABM Deposit, is a polymetallic volcanogenic massive sulphide (VMS) deposit containing economic concentrations of copper, lead, zinc, gold and silver. Mining is planned to be conducted utilizing both open pit and underground mining methods, with ore processed into separate copper, lead and zinc concentrates via sequential flotation through a processing plant that will treat an average 2.0 million tonnes per annum (Mtpa). Tailings will be deposited in a purpose built dry stack tailings storage facility on the western slope of the Geona Creek valley, while waste rock will be classified according to acid generation and metal leaching potential and stored in purpose built waste storage facilities. Strongly acid generating material will be co-disposed with the tailings or alternatively stored as cemented paste backfill in the mined out underground workings. Other waste rock material will be placed within the surface storage facilities noted above.

The mine is planned to operate for a minimum of 10 years, producing an average 180,000 tonnes (t) zinc, 35,000 t copper, and 25,000 t lead concentrates annually. Concentrate will be transported to the port of Stewart in British Columbia for sale to export market in North America, Europe and Asia.

The Project will provide jobs and economic opportunities for local Kaska and local communities, providing economic benefit for not only these communities but to the Yukon Territory and Canada in general.

The pre-production capital cost estimated in the prefeasibility study is approximately CAD\$ 378 million. Detailed engineering is continuing in an effort to optimize environmental outcomes, improve the Project economics, and decrease investor and stakeholder risk.

Project Setting

BMC has undertaken comprehensive environmental and socio-economic baseline studies over the Project area to support the Project design. These studies have received extensive input from Kaska, the local communities, and various stakeholders. The baseline studies have been conducted in the Project area since 1995 and will continue as the Project progresses.

The ABM Deposit is approximately 24 kilometres (km) south of Finlayson Lake on the northern edge of the Pelly Mountains. The area drainage includes Finlayson Creek and its tributaries, and the Finlayson River which flows into the Frances River, which in turn empties into the Liard River. Geona Creek is a tributary to Finlayson Creek and flows across the sub-crop of the ABM Deposit. The mean annual temperature recorded at the Project site for the period September 2015 to August 2016 was -0.47°C and extremes ranged from -26.28°C to 19.89°C . Precipitation falls fairly evenly throughout the year, predominantly as rain from May through September, and snow for the balance of the year.

The region exhibits intermittent permafrost with moist depression areas containing peat plateaus, patterned fen and bog complexes. The Project area is mostly a forest region, except for topographic peaks which are in the tundra region. White and black spruce are the most common tree types. Black spruce is usually dominant in wetter areas while white spruce dominates in drier areas. Paper birch, aspen, balsam and lodgepole pine also occur. Alpine fir occurs at the treeline (1,350 to 1,500 metres above sea level (masl)). In dense coniferous stands, feathermoss dominates the understorey but in more open areas willows and heath-like shrubs become prevalent. Sedge or sphagnum tussocks are common in wetlands and under black spruce.

Regionally significant wildlife resources occur in the Project area, notably the Finlayson caribou herd. The uplands around the ABM Deposit form a portion of the seasonal range for the herd from spring through the fall. Caribou and moose are an important wildlife resource for Kaska providing a valuable food source as well as an economic resource to sport hunters and the guiding industry. Furbearer populations are

also utilized by the local Kaska in this region. Fish in the larger lakes, including Finlayson Lake, and streams include arctic grayling, whitefish, lake trout and possibly dolly varden char.

The Project is in the Traditional Territory of the RRDC and Liard First Nation (LFN). Land use in the region includes hunting, fishing, and recreation for First Nations, Yukoners and visitors to local lodges.

Historic and modern mines in the region have included the Wolverine Mine, Ketz River Mine, Sa Dena Hes mining operation, and True North Gems operation.

Economic Benefits

The Project will employ an average of 300 personnel on a year round basis over it's life. The Project will contribute to Yukon and Federal Governments by way of tax revenues, royalties and direct employment. These benefits and payments will vary over the life of the Project according to tax structure, metal prices and mine operating parameters, however, it is anticipated BMC's payment of corporate taxes and royalties alone will average between CAD\$ 75-85 million annually over the 10-year life of the Project. Significant benefits will be available for Kaska in the form of direct employment, business development and opportunities, training and education funding, and direct financial payments through the application of the socio-economic participation agreement (SEPA).

Consultation

BMC considers community engagement and consultation to be fundamental for the success of the Project. BMC's consultation and engagement efforts commenced in 2014 prior to purchase, followed by consultation with First Nations, stakeholders and interested parties during the preparation of the exploration permit application and initiation of the environmental and socio-economic baseline studies.

BMC has also engaged with government agencies, boards, First Nations, various stakeholder groups and interested parties to introduce the company and has engaged and consulted with these parties regarding the proposed Project, the Project planning and design, Project Proposal content and permitting strategies. This has consisted of regular, numerous and ongoing meetings with appropriate agencies and RRDC leadership, including four community meetings in Ross River, one community meeting in each of

Faro, Whitehorse, and Watson Lake, development of a Project website and production of a quarterly newsletter.

Potential Environmental and Social Impacts

The Project has the potential to affect social and environmental conditions in the Project area including temporary changes to watershed drainage, fish and fish habitat, wildlife and wildlife habitat, water flow and water quality, and vegetation. In consultation with regulatory agencies and stakeholders, BMC has proposed strategies in the form of design modification, mitigation measures and compensation packages to reduce or eliminate impacts on the environment.

The community and social impacts of a mining project can be very favourable as new, long term opportunities are created for local and regional workers and the out-migration to larger centers is reduced. BMC has been working with the RRDC to maximize benefits through employment and business opportunities, training and skills development programs during its exploration activities and will continue to do so throughout construction and operations of the proposed Project. As part of its Community Engagement Strategy, BMC has launched a Scholarship program aimed at providing enhanced opportunities for local Kaska citizens to achieve higher education with the aim to qualify some Kaska for technical and managerial positions at the mine. In January 2016, BMC initiated a highly successful mentor program to assist Kaska to become 'job ready' and provide support for Kaska employed at the mine site.

Economic growth such as that which will occur during the initial construction and operation of the Project could create strains on local community infrastructures such as roads, social services and medical systems. BMC's approach to mitigating these strains will be through coordinated planning with local communities, stakeholders and government agencies. Ongoing consultation and communication will provide a strong framework for early, joint identification of adverse effects and finding acceptable solutions while enhancing the potential benefits for the region.

Regulatory Requirements

The *Yukon Environmental and Socio-economic Assessment Act* (YESAA) mandates a public process for assessing the Project's potential socio-economic and environmental impacts. The YESAA screening at the

Executive Committee level has been triggered by the proposed ore production capacity of greater than 1,500 tonnes per day.

The *Waters Act* and Waters Regulations (territorial), under which the deposit of waste and the use of water for processing (greater than 100 tonnes per day) requires issuance of a Type A Water Licence. This licence is issued by the Yukon Water Board.

The Project also requires a Quartz Mining Licence under section 135 of the Yukon's *Quartz Mining Act* (QMA).

There are also numerous ancilliary permits and licences that will be necessary to authorize various specific aspects of the project such as building permits and explosives storage licence; these will be secured as required.

While the Project has previously been permitted for mining and has a Water Licenece issued (QZ97-026), subsequent changes to the mining assessment and permitting process have occurred. In addition, the Company has modified the Project output and life. It is therefore appropriate for the project to be re-licenced under the new, modern regime.