Presentation Overview

> About Forecasting

> Economic Overview

> Key Indicators

> Sector Perspective
About Forecasting
Risks: Economic Forecasting

> Forecast ≠ Prediction
  – Each forecast is based on a series of assumptions
  – Small economies, like Yukon, can be impacted rapidly

> Risks to the forecast
  – global trends
  – metal prices
  – energy prices
  – exchange rates

> Mitigation strategy
  – Twice annual economic forecast
Economic Overview
Yukon Real GDP by Industry

<table>
<thead>
<tr>
<th>Real GDP (Chained 2007$)</th>
<th>2013</th>
<th>2012</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$2.21 billion</td>
<td>$2.23 billion</td>
<td>-0.7%</td>
</tr>
</tbody>
</table>
Yukon Real GDP by Industry

<table>
<thead>
<tr>
<th>Industry</th>
<th>2013</th>
<th>2012</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agriculture, forestry, fishing and hunting</td>
<td>0.2%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mining, quarrying, and oil and gas extraction</td>
<td>19.2%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Utilities</td>
<td>1.6%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Manufacturing</td>
<td>0.7%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Wholesale trade</td>
<td>1.5%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Retail trade</td>
<td>4.4%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Transportation and warehousing</td>
<td>2.8%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Information and cultural industries</td>
<td>3.0%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Finance and insurance</td>
<td>3.1%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Professional, scientific and technical services</td>
<td>2.6%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Administrative and support, waste management and</td>
<td>1.5%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>remediation services</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Arts, entertainment and recreation</td>
<td>0.4%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accommodation and food services</td>
<td>3.2%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other services (except public administration)</td>
<td>1.5%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>‘Public Sector’</td>
<td>33.5%</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Real GDP (Chained 2007$)

<table>
<thead>
<tr>
<th>2013</th>
<th>2012</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>$2.21 billion</td>
<td>$2.23 billion</td>
<td>-0.7%</td>
</tr>
</tbody>
</table>
The Outlook at a Glance

> **2014 (forecast):** Return to modest growth
  – Real GDP growth: 1.2%
  – Construction activity up
  – Mining activity down
  – Annual tourism visitation down

> **2015 (forecast):** Further growth anticipated
  – Real GDP growth: 2.0%
  – Three producing mines and higher mineral production
  – Growth in tourism visitation
Decade in Review

> Prolonged period of economic growth
  – 2013 estimated GDP contraction (first decline in 10 years)

> Primary economic driver: Mining Sector
  – Three producing mines since 2007
  – Strong exploration expenditures

> Growing private sector contribution
  – Mining: ~19% of Real GDP in 2013 (~4% in 2003)

> Population estimated at 36,600
  – 2013: 10th consecutive year of population gains

> Record labour force and employment levels
2013 Review

> Real GDP growth: -0.7%
  - Lowest in the country; first decline in 10 years

> Rationale for slower growth
  - Weaker construction activity
    o Declines in residential and non-residential GDP
  - Mining sector struggles
    o Softening prices for key minerals
    o Challenges with access to financing
      - Layoffs
      - Decrease in development and exploration expenditures
      - Increase in mineral production, but lower than anticipated
2014 Forecast

> Real GDP growth: 1.2%
  - Total economy at ~$2.2 billion (2007$)

> Growth driver: Construction

> Other key indicators
  - Modest population growth
  - Strong employment and labour force growth (lower unemployment rate)
  - Return to growth in retail sales

> Growth drag: Mineral Production and Development Activity

Note: Government capital investment is helping to smooth out the impact of a reduction in mineral production in 2014. While production is falling as one mine remains in temporary shutdown, economic growth is being sustained through the development of economic and community infrastructure.
2015 Forecast

> Real GDP growth: 2.0%
  – Total economy at ~$2.3 billion (2007$)

> Growth drivers: Mineral production and development
  – Resumption in mining in the Keno Hill district (Alexco)
  – Development spending (Bellekeno, Minto)
  – Continued capital investment by government

> Other key indicators
  – Population expected to post growth in 2015 to almost 37,000
  – Retail sales to grow to near $700 million for the first time
  – Employment is expected to decline slightly from 2014.
  – Labour force up slightly, bringing a rise in unemployment rate to 5.0%.
  – Border crossings expected to post gains in 2015
Reality Check…

> **If** mineral production declines?
  - Wolverine Mine temporary shutdown (Jan ’15)
  - Minto Mine production guidance downgrades (Jan ’15)

> **Then** real GDP will likely decline in 2015…

> **Other indicators likely to be impacted**
  - Employment to fall below forecast.
  - Unemployment rate to be higher than forecast.
  - Retail sales gains to fall below the $700 million forecast
  - Likelihood of slightly weaker CPI growth
2016: Uncertainty

- Commodity Prices…
- Exchange Rates…
- Global Recovery…
- Mining Outlook…
  - Bellekeno?
  - Wolverine?
  - Minto?
  - Eagle Gold?
  - Casino?
Key Indicators
Economic Growth

Source: Statistics Canada; International Monetary Fund; Department of Economic Development
Reality Check…
Population Growth

Source: Yukon Bureau of Statistics; Department of Economic Development
Labour Market

Source: Statistics Canada; Department of Economic Development
Reality Check...
Sector Perspective
Commodity Prices: Gold and Silver

Source: Metalprices.com

Gold US$/oz

Silver US$/oz

Source: Metalprices.com
Commodity Prices: Copper and Zinc

Source: Metalprices.com
Canadian Dollar: Softening the blow

Source: Metalprices.com

Gold $/oz

Source: Metalprices.com
Mineral Exploration and Development

Source: Natural Resources Canada; Department of Energy, Mines & Resources; Department of Economic Development
Mineral Production

Source: Natural Resources Canada; Department of Economic Development

$ millions

Value of Mineral Production


Source: Natural Resources Canada; Department of Economic Development

Economic Development
Reality Check…
Recent Private Sector Growth

Real GDP by Industry ($ millions)

<table>
<thead>
<tr>
<th>Year</th>
<th>Other Industries</th>
<th>Mining, Quarrying and Oil &amp; Gas Extraction</th>
<th>Public Sector</th>
</tr>
</thead>
<tbody>
<tr>
<td>2003</td>
<td>$765.7 (54%)</td>
<td>$54.2 (4%)</td>
<td>$598.6 (42%)</td>
</tr>
<tr>
<td>2013</td>
<td>$1,025.4 (47%)</td>
<td>$423.2 (19%)</td>
<td>$760.1 (34%)</td>
</tr>
</tbody>
</table>

Source: Statistics Canada; Department of Economic Development

Public Sector – Includes ‘Public Administration’, ‘Educational Services’ and Health Care & Social Assistance’
Mining – The Future

Uncertain outlook for mining

Exploration
– Staking down, property evaluation occurring
– Mineral prices and access to capital matter

Development
– Spending down in 2014, but up slightly in 2015.
– Financing remains an unanswered question
– Yukon has several “advanced projects”
  – Development of Eagle Gold and Casino in the near-term?

Production
– Bellekeno – return in 2015?
– Wolverine – duration of shutdown?
– Minto – awaiting water license (Phase 5/6)
Tourism – Border Crossings

Source: Department of Tourism and Culture; Department of Economic Development
Tourism – The Future

Mixed Outlook for Tourism:

• Visitation expected to fall to 340,000 in 2014
  – _Decline of 3.0%_

• Weaker Canadian dollar and weak oil prices expected to persist into 2015
  – _Could positively impact tourism numbers_

• A return to growth is anticipated in 2015, with border crossings growing to over 350,000
Oil & Gas – Opportunities Exist

Yukon’s Oil & Gas Basins

Source: Department of Energy, Mines & Resources
Oil and Gas – The Future

Opportunities for development exist:

- Mining projects with large energy demands

- Kotaneelee (EFL Overseas Inc.)
  - Proposal in YESAB to work over the existing wells
  - Estimate 5-10 years of conventional gas resource
  - Shale gas development with 50 years of production

- Eagle Plain Basin (Northern Cross/CNOOC)
  - Has spent $100 million since late 2011
  - Proposing to drill up to 20 exploration and appraisal wells, in addition to the four wells drilled in 2012 and 2013

- Performance of natural gas prices should impact development
Increased Construction Activity in 2014 and 2015

Source: Yukon Bureau of Statistics; Department of Economic Development
Construction – Projects of Note

Construction Projects

– Whistlebend Subdivision
– F.H. Collins School Replacement
– Centre for Northern Innovation in Mining
  • Yukon College Campus – Whitehorse
– New Senior Housing in Whitehorse
– Replacement of Salvation Army building in Whitehorse
– Whitehorse Hospital Expansion and addition of MRI
– Replacement of Dawson City Reservoir Pumphouse

Mine Construction

– Keno Hill Silver District
  • $45 million in 2015
– Minto Mine
  • >$15 million in 2015
Retail Sales Generally Performing Well in Recent Years

Source: Statistics Canada; Department of Economic Development

<table>
<thead>
<tr>
<th>Year</th>
<th>Retail Sales (in millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2000</td>
<td>$300</td>
</tr>
<tr>
<td>2001</td>
<td>$350</td>
</tr>
<tr>
<td>2002</td>
<td>$400</td>
</tr>
<tr>
<td>2003</td>
<td>$450</td>
</tr>
<tr>
<td>2004</td>
<td>$500</td>
</tr>
<tr>
<td>2005</td>
<td>$550</td>
</tr>
<tr>
<td>2006</td>
<td>$600</td>
</tr>
<tr>
<td>2007</td>
<td>$650</td>
</tr>
<tr>
<td>2008</td>
<td>$700</td>
</tr>
<tr>
<td>2009</td>
<td>$750</td>
</tr>
<tr>
<td>2010</td>
<td>$800</td>
</tr>
<tr>
<td>2011</td>
<td>$850</td>
</tr>
<tr>
<td>2012</td>
<td>$900</td>
</tr>
<tr>
<td>2013</td>
<td>$950</td>
</tr>
<tr>
<td>2014</td>
<td>$1,000</td>
</tr>
<tr>
<td>2015</td>
<td>$1,050</td>
</tr>
</tbody>
</table>

Source: Statistics Canada; Department of Economic Development
Reality Check...
Retail Sales – The Future

Mining Sector Activity
- Retail sales growth is tied to the performance of the mining sector and the continued growth of Yukon’s economy
  - Recent announcements likely to impact sales in 2015

Higher Population
- Continued population growth would have positive ramifications for retail sales
  - Depends on performance of Yukon’s economy and prospects for further growth

Higher employment
- Recent strong labour market performance has contributed to growth in retail sales
  - Unemployment rate is forecast to increase in both 2015 and 2016 but remain at relatively low rates
Yukon Economic Overview and Outlook