

SELWYN PROJECT NEWSLETTER

April 2015 issue



LETTER FROM THE CEO



People are at the core of our commitment to responsible mining – those we work with and those who live in and around the areas of the Selwyn Project. That's one of the reasons we are working to engage local communities early in our Project's development: we want to build a mine that

reflects local peoples' input, creates lasting social progress and brings economic benefits to us all.

We are currently focused on the Socio-economic Participation Agreement (SEPA) negotiation with the Kaska Nation. The SEPA will define the relationship between the Kaska and Selwyn Chihong, as well as the benefits and opportunities for the Kaska during construction, operating and the closure stages of the Project. Read the SEPA Update on page 7 for more information.

Wherever possible, we take a 'hire local, buy local, train local' approach to doing business. We count many Kaska members among our permanent and seasonal employees and make it a priority to work with Yukon-based businesses and suppliers. We also support local workforce development

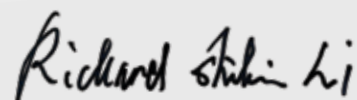
and training programs to prepare community members for work, whether on our Project or elsewhere in the resource sector. In this issue, we profile Nora Ladue, our Community Human Resources Coordinator (CHRC). Nora is based in Ross River and works closely with Sandra and Rose, helping us to develop and implement training programs and recruit local workers. To learn more about our hire, buy and train local activities, read Meet Nora on page 3 and Local Matters on page 2.

Bringing a project into production takes time. The Mine Cycle on page 4 explains the different stages of a mine's development, from Exploration through to Closure. You can also learn more about where our Project fits into this cycle in The Selwyn Project: In Advanced Exploration on page 8.

If you have any questions, comments or suggestions for stories in future issues, let us know! We're in the process of scheduling more Open Houses this year so I look forward to seeing many of you very soon.

Kindest Regards,

Richard



Local Matters

One of Selwyn Chihong's Guiding Principles is to build long-term relationships and find ways for local communities to benefit from the development and operation of the proposed Selwyn Project. We are doing this in a number of ways, under the terms laid out in the current Interim Measures Agreement (IMA); through the negotiation of the Socio-economic Participation Agreement (SEPA); and by operating on a 'hire local, buy local' basis (which means, where possible, we employ men and women from local communities and use as many local businesses and suppliers as we can).

We've had some questions recently about our spending in Yukon communities. We decided to break down some of the numbers to make it clearer how our Yukon spending fits into Selwyn Chihong's overall operating budget for both the Project and our corporate business operations in Vancouver, BC.

Annual Spending under the current IMA
\$100,000 – Land Disruption Fees
\$10,000 – Traditional Knowledge Protocol meetings

Hiring Local

In 2014, Kaska members represented 33% of our Yukon-based workforce of 103, working in camp operations, on our drilling and geotechnical programs and in environmental monitoring positions.

\$1.07M in wages paid to Kaska members in 2014

Local community members will continue to be an important part of our Yukon workforce in the coming year. If you have questions about job opportunities, please contact our CLOs: Sandra in Ross River and Rose in Watson Lake.

Training Local

Training and capacity building in local communities is very important to help ensure local residents get the skills and training required to secure employment in mining, at the Selwyn Project and in other resource development projects.

\$189,246 for local community training and capacity development in 2014

We ensure the delivery of workforce development programs and training within local Yukon communities. These courses and programs cover things like Career and Life Skills 101, Heavy Equipment Operator technician training, Human Resource Management and Eco Canada's BEAHR (Building Environmental Aboriginal Human Resources) environmental training programs.



Community Sponsorships and Donations

The Company is pleased to provide sponsorships and donations to various community organizations.

\$57,900 in Sponsorships and Donations in 2014

Examples of some of the donations in this category include: the Hand Games, Youth-at-Risk Workshops, Community Clean-up prior to the Hand Games, Youth/Elders Christmas Party, etc.

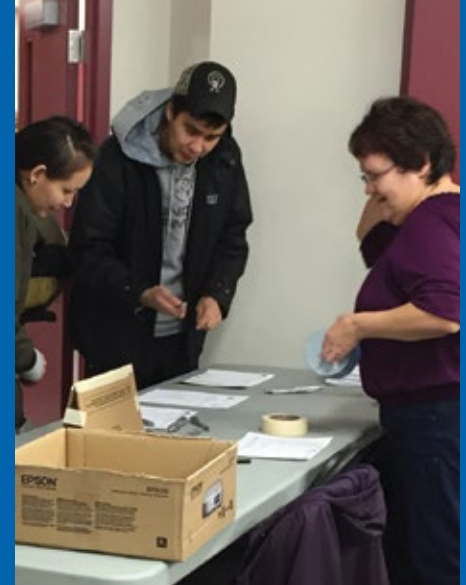
Buying Local

Despite the Selwyn Project only being in the Advanced Exploration stage of the mine cycle, we believe it's never too early for local communities to benefit from the project! We worked with many Yukon-based businesses in 2014 and will continue to do so in 2015. We've already selected several Yukon companies to work with, supplying goods and services for our drill program, freight service and gas supply. It's also important to know that, when it comes to working with suppliers who aren't from Yukon, we look for suppliers who build partnerships with local businesses and who have formal agreements with the Kaska Nation to provide training and job opportunities within local communities.

While we are proud of our achievements to date, we are always working at improving our performance in the area of community benefits.

Meet Nora:

our Community Human Resource Coordinator and Coach (CHRC)



Nora Ladue is our Community Human Resource Coordinator and Coach, serving the communities of Ross River and Watson Lake. She helps Selwyn Chihong develop and implement strategies to attract retain and engage local employees. She also provides on-the-ground assistance to employees and other community members who are enrolled in training programs and who have an interest in employment in the mining sector.

Nora joined Selwyn Chihong in 2010 as a Community Liaison Officer (CLO). She undertook the challenge of being our CHRC in April last year, after three years doing great work as our Ross River CLO. As a CHRC, Nora works with our CLOs and head office staff to ensure local community members with the necessary qualifications and skills get a chance to join the Selwyn Chihong team. Nora works closely with our hiring managers to provide human resources functions in the community including developing position descriptions, job postings and employment agreements. Nora meets with community members to review employment agreements and policies prior to employees going to camp and works with new employees to identify their training and development needs to allow individuals to grow their skills, abilities and opportunities within the

Company. Nora also provides resume-writing support and helps develop training plans for local community members who want to develop the skills required for employment in mining.

On a typical work day, Nora spends time reviewing and filing the resumes we receive; helping individuals with their resumes, job and training applications; and working closely with our CLOs – Sandra from Ross River and Rose from Watson Lake – to organize meetings and events on behalf of Selwyn Chihong and local communities. Nora is a proud member of the Kaska Nation.

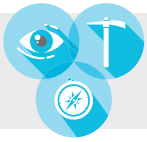
Over the coming year, it's Nora's goal to continue developing her career, taking courses in HR Management so she can grow her skills and knowledge as a CHRC. In her spare time, Nora enjoys spending time outdoors, picking mushrooms to sell for some extra money!

If you have questions about training for careers in mining or about work opportunities with Selwyn Chihong, Nora is the person to talk to! You can reach her at the Ross River office at 867.939.2830, on her mobile at 867.333.9558 or at community.hr@chihongmining.com.

The Mine Cycle *by John O'Donnell*



Every mining project is unique. Many factors, including things like the quality and location of the mineral deposit, political and regulatory environments and community support for mining, impact how companies approach mine development. But, even with all the differences to consider, the mine cycle is the same, whether the project is located in Canada, or anywhere else in the world.



STAGE 1: EXPLORATION

In the first stage of the Mine Cycle:

- Companies hire prospectors and geoscientists to identify mineral properties.
- Companies conduct the mapping, sampling and drilling needed to understand the size and shape of the deposit and its economic potential.
- If a deposit looks promising, most companies begin collecting environmental data during the exploration phase.

The Selwyn Project is in advanced exploration and we are working on our Prefeasibility Study



- A Prefeasibility Study (PFS) includes conducting field studies and investigating design options to identify the best overall project design. The PFS gives companies a better estimate of how much a project will cost to build and operate.
- A Feasibility Study. This is a very detailed plan that provides a specific cost estimate for the project that a company can take to a bank or elsewhere to get the money to build the mine. The Feasibility Study usually includes details about what will be done to protect the environment and benefit local communities.

Some aspects of project design begin when a project is still in the Exploration stage.



STAGE 2: DEVELOPMENT

This is the stage when companies plan and design their proposed mines. At Selwyn Chihong, we divide activities in this stage into two categories: Project Design, and Assessment & Approval.

Project Design activities typically go through three main phases:

- The Scoping Study or Preliminary Economic Assessment (PEA) for a project. This is high-level planning to determine if the ore can be extracted economically in a way that will minimize environmental effect.

Assessment & Approval activities include:

- Undertaking consultation with local communities and government agencies.
- Completing extensive baseline environmental and social studies to determine the likely impacts from the project on the environment and communities.
- Submitting the project for environmental assessment (EA).
- Applying for all licences and permits (once a project receives EA approval).



STAGE 3: CONSTRUCTION

Companies can begin construction of their mine when they receive EA approval for a project and secure the required building and operating permits. The time it takes to build a project depends on the size of the project and where it's located. During construction, companies build the mine and the associated buildings, as well as infrastructure like roads, bridges and energy facilities.



STAGE 4: PRODUCTION

Once construction is complete and the mining company has hired and trained the people who will work at the mine, the mine starts to operate. During the Operation phase:



- The ore is extracted from the ground and processed, to separate out the valuable minerals from the rock. The mineral concentrates are shipped to a smelter for further refinement.
- Many companies continue exploration and development activities, to search for more mineral deposits to extend the operating life of the mine.



STAGE 5: CLOSURE AND RECLAMATION

Today, responsible mines are designed with closure in mind and detailed reclamation and monitoring plans are included in a proposed mine's EA application. In Canada, and in most countries, companies are required to post financial security to cover the cost of fulfilling all reclamation and closure requirements, in the event the company defaults on its reclamation obligations.



Every closure and rehabilitation plan is different, depending on the specific mine. Typically, companies complete as much reclamation as possible during mine operation. At final closure, the mine site needs to be safely shut down. This includes removing equipment and buildings and restoring the natural environment.

SEPA UPDATE

Maurice Albert

The Kaska and Selwyn Chihong are beginning to negotiate a Participation Agreement (SEPA). This agreement defines the relationship between the Kaska people and those working for the mine. It will replace the Interim Measures Agreement (IMA) which is currently in effect and was meant to define benefits and opportunities for the Kaska while exploration activities were underway.

It is important that there is good community input into the SEPA so that community interests are well defined and addressed. It is also important that any challenges faced in the past under the IMA are identified and fixed.

Holding April SEPA Workshops in Whitehorse

In April, a series of workshops will take place in Whitehorse to discuss key components of the SEPA. The workshop participants will include Kaska and Selwyn Chihong representatives along with some invited experts who have successfully built relationships between First Nations people and those engaged in responsible resource development elsewhere. These workshops will focus on

- 1) Experiences with the Interim Measures Agreement - What worked and what didn't;
- 2) Kaska business development and procurement;
- 3) Training and employment needs and commitments; and
- 4) The Environment, including water, fish and wildlife management.

Creating Permanent SEPA Committees

The workshops will discuss what should be included in the SEPA, what further discussions should take place in the communities, and how the permanent SEPA committees of Kaska/Selwyn Chihong representatives should be established. These committees have been proposed to give Kaska a window on mine planning. They are meant to provide an opportunity to identify challenges during mine planning, construction and operations phases of mine development and to suggest alternative options for getting the job done. They are being created to provide a problem solving forum for Kaska and the company in key areas of business development, training and employment and environmental protection.



Building a Solid, Respectful Partnership

The workshops and the permanent committees will also be tasked with finding effective ways to engage community people during SEPA negotiations and throughout the life of the mine. It is important that good information is shared and constructive discussions take place on how the mine can be developed responsibly and for the benefit of all people involved.

Selwyn Chihong is committed to doing things differently and better than ever. It is well known that this can only be accomplished by building and operating the mine in an environmentally responsible way; with a solid commitment to worker safety and well-being; and to the benefit of the communities who share in the stewardship of the resources. This requires building a solid and respectful partnership with Kaska.

Maurice is Selwyn Chihong's VP, External Affairs.

The Selwyn Project: In Advanced Exploration

The Selwyn Project is in the advanced exploration stage of the mine cycle. This means we are continuing our drill program and doing the technical and environmental studies we need to design our proposed Project.



We don't do this work alone. We have a team of experts – on staff and consultants – who have many years' experience developing mining projects in Canada and around the world. Selwyn Chihong prides itself on hiring the best talent available. In 2014, we completed extensive drilling and a Scoping Study, or Preliminary Economic Assessment (PEA). Our 2014 studies included collecting water quality, hydrology and climate data; fisheries studies; spring and fall Caribou studies; pit groundwater studies; and mine rock characterization work.

Our goals for 2015 include:

- Continuing our research program, including environmental, engineering and other technical studies;
- Completing our Prefeasibility Study (PFS);
- Securing the permits to widen HPAR;
- Completing the Socio-economic Participation Agreement (SEPA) negotiations with the Kaska Nation; and,
- Undertaking a 10,000-metre drill program.



In future issues of the newsletter, we're going to explore the different stages of the mine cycle as they related to the Selwyn Project. We'll concentrate on the Exploration and Development stages as this is where our work will be focused for the next few years.

COMING IN THE NEXT ISSUE:

- WHAT IS A PREFEASIBILITY STUDY?
- MORE ON THE ASSESSMENT & APPROVAL STAGE.
- WHY DOES IT TAKE SO LONG TO DEVELOP A MINE?

Contact Us

To learn more about the proposed Selwyn Project, visit www.selwynchihong.com. You can also call 604.620.6188 or email info@chihongmining.com.

Got a question about the Project?

Send your questions to info@chihongmining.com or use the Contact Form on our website.

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