

MEMBER STATEMENT—KEVIN O'REILLY MLA FRAME LAKE

GNWT LIABILITIES FOR PRAIRIE CREEK MINE

June 17, 2016

MR. O'REILLY: Merci, Monsieur le Président. My statement today is on the proposed Prairie Creek Mine, its precarious financial position, and the environmental liability at the site. This property was first discovered in 1928 and almost went into production in 1982 before silver prices crashed. The site is currently owned by the Canadian Zinc Corporation.

According to a 2016 Pre-Feasibility Study for Canadian Zinc, the company requires about \$244 million to take the property into production. In its 2015 annual filing with the US Securities and Exchange Commission, the company noted that it has incurred losses of over \$109 million since its inception. Last year, it lost over \$8 million alone. In the latest available financial statements to December 31st, 2015, the auditors stated there is "substantial doubt about Canadian Zinc Corporation's ability to continue as a going concern." Over the last five years, its stock has dropped from about 75 to 25 cents a share.

On the financial security side, the Minister of Lands tabled information in this House earlier in this sitting indicating that GNWT now holds financial security of about \$2 million in cash, cheques, and a guaranteed investment certificate. There may be an additional \$250,000 under a surface lease. Unfortunately, that lease limits the environmental liability of Canadian Zinc to a totally inadequate reclamation plan negotiated by the federal government whereby buildings do not have to be removed and the tailings pond can be simply abandoned as is. That lease expired at the end of 2013 and is currently in an over-hold tenancy status, with an annual payment of \$5,680. It is not clear if GNWT now holds this lease, and what, if any, actions have been taken to renew the lease and ensure there is proper and adequate financial security to cover the current conditions of the site.

The calculation of the current environmental liability at the site is a complex one that is clouded by previous ownership of the site. Canadian Zinc itself claimed the environmental liability of the site was \$9 million in 2014. The federal government calculated the liability at over \$19 million, should the site actually go into production. The Mackenzie Valley Land and Water Board settled on over \$17 million.

Clearly the financial security currently held would not allow for a proper remediation of the Prairie Creek site, and leaves the taxpayers at risk. In these times of fiscal restraint, this is not sound public policy. I will have questions for the Minister of Lands later today. Mahsi, Mr. Speaker.