

**KEVIN O'REILLY—MLA FRAME LAKE**  
**MacTung and Prairie Creek Mine Issues**  
**Committee of the Whole—2018-2019 Operating Budget Review**  
**Dept. of Lands—February 22, 2017**

**MR. O'REILLY:** Thanks, Mr. Chair. Yes, progress is not as quick as I would like it, either, and, I think, as required in our mandate, but I will move on to a couple of more problematic sites. The first one is Cantung. Have we finally been able to get rid of the lease for the surface of the Cantung site? I know I have asked numerous times about this, and every time, it seems to be a little bit closer, but has it actually been transferred back to the federal government? Thanks, Mr. Chair.

**CHAIRPERSON (Mr. Blake):** Thank you, Mr. O'Reilly. Minister Sebert.

**HON. LOUIS SEBERT:** Yes, this is a complicated situation, as the Member well knows, and it has been difficult for us. I think I will let my deputy minister get into some of the details about what is going on. Thank you, Mr. Chair.

**CHAIRPERSON (Mr. Blake):** Thank you, Minister Sebert. Mr. Hagen.

**MR. HAGEN:** Yes, thank you, Mr. Chair, and yes, it's the ongoing saga of this file. We were within arm's reach for the federal government to take back administrative control of the surface lands, with the GNWT keeping the subsurface, and at the eleventh hour their Department of Justice decided that they could not take back administrative control yet until they made some policy changes, and that is where it has stalled at this moment. Thank you, Mr. Chair.

**CHAIRPERSON (Mr. Blake):** Thank you, Mr. Hagen. Mr. O'Reilly.

**MR. O'REILLY:** Thanks, Mr. Chair. Yes, it sounds like there is a little bit more to be told about that. If the Minister wants to share some other information with Regular MLAs, or at least the Standing Committee on Economic Development and Environment, can he give us a more detailed update of what's happening there? Thanks, Mr. Chair.

**CHAIRPERSON (Mr. Blake):** Thank you, Mr. O'Reilly. Minister Sebert.

**HON. LOUIS SEBERT:** Yes, thank you. As has already been mentioned, there have been many twists and turns in this, and the federal government seemed to have some late-breaking concerns. Certainly, I would be very happy to meet with committee to discuss this unresolved matter. Thank you, Mr. Chair.

**CHAIRPERSON (Mr. Blake):** Thank you, Minister Sebert. Mr. O'Reilly.

**MR. O'REILLY:** Thank you, Mr. Chair. The other site that tends to sometimes keep me awake at night is Prairie Creek, and I probably don't have to tell this Minister, who is the Minister of Lands, he is going to get an Environmental Assessment Report sometime in the near future, probably from the Mackenzie Valley Review Board, about an all-weather road into the site.

The more our fingerprints are on this site, the more likely we are going to assume some of the liability. What, if anything, has our government done about the existing liabilities

at the site? If I remember correctly, it is about \$9 or \$12 million that is unsecured at the site. What has our government done to ensure that we don't incur any of that liability? Thanks, Mr. Chair.

**CHAIRPERSON (Mr. Blake):** Thank you, Mr. O'Reilly. Minister Sebert.

**HON. LOUIS SEBERT:** Thank you, Mr. Chair. Apparently, Canadian Zinc has met all of its current securities requirements under the permits, licences, and authorizations that are currently in place. I understand that our government is holding \$2,075,000 in securities for the mine site and winter road, which includes water licence leases and land use permits.

Perhaps, at this stage, I could turn it over to my deputy minister for a fuller explanation. Thank you.

**CHAIRPERSON (Mr. Blake):** Thank you, Minister Sebert. Mr. Hagen.

**MR. HAGEN:** Thank you, Mr. Chair. As you mentioned, Prairie Creek is out of an EA. It is in the hands of the Land Act Ministers and the responsible Ministers from the GNWT. That is where the Minister has asked for more engagement with the Aboriginal communities in the Deh Cho, and then they come back for her final decision on the water licence.

As for liability, there is some historical liability there that the federal government is responsible for, and unless this mine actually takes off and goes to production, then, at that time, there are liabilities that could be incurred by the territorial government, but in order for them to go into production, they will have to apply for a lease from the Department of Lands. On that lease, we have the power and the ability to put in the required securities that we feel are needed to take care of the liability that could possibly be incurred by an operating mine. Thank you, Mr. Chair.

**CHAIRPERSON (Mr. Blake):** Thank you, Mr. Hagen. Minister Sebert.

**HON. LOUIS SEBERT:** Thank you, Mr. Chair. Just to add, the Mackenzie Valley Land and Water Board has a total security amount of \$17,007,000, which the proponent will be required to post in stages, if and when the project proceeds. Thank you.

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**MR. O'REILLY:** Thanks, Mr. Chair. I want to go back to Prairie Creek just for a minute, if I can. I am trying to understand whether there are any legal impediments to us increasing the financial security now to cover the existing liabilities that are at the site. As I understand it, the lease is now in an overhold tenancy position. Are there any legal impediments to us changing the financial security now to cover the existing liabilities? Thanks, Mr. Chair.

**CHAIRPERSON (Mr. Blake):** Thank you, Mr. O'Reilly. Minister Sebert.

**HON. LOUIS SEBERT:** As I mentioned previously, Canadian Zinc has met all current security requirements under the permits, licences, and authorizations, and we are

holding slightly over \$2 million in securities. I am not certain, but I could look into it to see whether an overholding lease would allow us to increase the security. It seems to me that it might be unlikely that we would have the ability to do that. That might be seen as being in bad faith, but we could get back to you with an answer. Mr. Hagen tells me he could give a better answer.

**CHAIRPERSON (Mr. Blake):** Thank you, Minister Sebert. Mr. Hagen.

**MR. HAGEN:** I do not know if I can give a better answer, Mr. Minister, but I can give a different perspective on it. The fact is that they have a lease that has been agreed to, the securities held have been agreed to, and, until that lease is up for renewal, we could not go back and increase it. I think it is well known that securities are based on risk, you run a risk model, and they are not operating. As a matter of fact, right now, they are shut down, so the risk is very low, and the securities that we hold on that lease right now are plenty sufficient. Like I mentioned before, if they clear all the hurdles and they eventually go for production, before they can do that they have to renew those leases and get added leases, and at that time we would increase the security to make sure that the Government of the Northwest Territories is well protected for any environmental problems or, heaven forbid, a disaster. Thank you, Mr. Chair.

**CHAIRPERSON (Mr. Blake):** Thank you, Mr. Hagen. Mr. O'Reilly.

**MR. O'REILLY:** Thanks, Mr. Chair. Look, if our witnesses want to come back and give us more information and it has to be done confidentially, that is fine, but why is it that we cannot take any action now to increase the financial security for the liabilities that are on the ground right now? Is there some legal provision of the existing lease that is in overhold tenancy that the Minister does not have the discretion to increase the security right now? I cannot believe that someone would sign off on a lease that does not allow the Minister to have discretion to increase security when and if required. It is not covered right now. This property could come back to the taxpayers, and I want to know whether the Minister has discretion right now to increase the security to cover the existing liabilities on the site because they are not secured. Thanks, Mr. Chair.

**CHAIRPERSON (Mr. Blake):** Thank you, Mr. O'Reilly. Minister Sebert.

**HON. LOUIS SEBERT:** I do not know the answer to that, but I know that they have met all security requirements to this stage, so a sudden change by us might be seen as arbitrary. Perhaps the best way of handling this, though, would be to have us look into it and perhaps we could meet with committee on a confidential basis to discuss some of these issues.

**CHAIRPERSON (Mr. Blake):** Thank you, Minister Sebert. Mr. O'Reilly.

**MR. O'REILLY:** Yes, I am happy to accept that, but we have been talking about this for two years. At least I have been talking about it for two years. There is currently unsecured liability for the existing condition of the site. Yes, they have met terms and conditions of the water licence, they have paid up the security under the water licence to the state that it is at, but right now we do not have enough security set aside if something went off the rails with the property to cover the existing liabilities. That is the problem. If the Minister has discretion to change that so that we are not on the hook, it

is my view and I think it is dictated by the mandate and just good financial management that we get the security in place. So, if the Minister wants to come back and talk again about this, I am happy to have him talk to the committee about it, but there is an unsecured amount of liability there, and that needs to be fixed. Thanks, Mr. Chair.

**CHAIRPERSON (Mr. Blake):** Thank you, Mr. O'Reilly. Minister Sebert.

**HON. LOUIS SEBERT:** Thank you, Mr. Chair. We are going around in circles a bit here, but, as I say, they did meet all security requirements. They might see a sudden change as arbitrary, but I will look into this. Thank you.