



7th Floor - 4922 48th Street,
P.O. Box 2130, Yellowknife NT X1A 2P6

Tel: 867-669-0506 Fax: 867-873-6610
www.mvlwb.com

Staff Report

Applicant: Canadian Zinc Corporation Ltd.	
Location: Prairie Creek Mine, NT	File Number: MV2019L2-0006 MV2019C0011
Date Prepared: December 12, 2019	Date of Board Meeting: December 17, 2019
Subject: Security Adjustment Request	

1. Purpose

The purpose of this Report is to present to the Mackenzie Valley Land and Water Board (MVLWB/the Board) a Request to Adjust Security submitted by Canadian Zinc Corporation Ltd. (CZN).

2. Background

- September 9, 2019 – Issuance of Permit MV2019C0011 and Licence MV2019L2-0006;
- November 27, 2019 – Security Adjustment Request received;
- December 8, 2019 – Security due;
- **December 17, 2019 – Request presented to the Board for decision.**

3. Discussion

Project History

On September 9, 2019, the Board issued Permit MV2019C0011 and Licence MV2019L2-0006 for CZN to conduct mineral exploration activities at the Prairie Creek Mine, including the development of an underground decline, and treatment of mine water emanating from an existing portal (attached). These authorizations replaced Licence MV2001L2-0003 and Permit MV2012C0008.

The Board set the security in the Licence at \$210,648, and in the Permit at \$236,339, as detailed in the RECLAIM estimate recommended by GNWT-ENR. CZN provided a land-related estimate of \$50,076 using the Board’s security worksheet and provided a water-related security estimate of \$47,108 using the RECLAIM model.

Description of Request

On November 27, 2019, CZN sent a letter requesting the Board to review the Reclamation Security (security adjustment), or defer the increase of the Security. CZN provided the following reasons for its request (attached):

- CZN disagrees with the Board’s conclusion that CZN is currently responsible for the treatment of water from the mine workings.
- CZN is considering the Board’s recommendation to amend the Mining Licence MV2008L2-0002 to include the activities in its Mineral Exploration Licence MV2019L2-0006.
- CZN’s non-compliances of water treatment effluent is related to the water from the old mine workings and CZN wishes to discuss with GNWT regarding the responsibility for the water treatment.

On December 6, 2019, Board staff notified the distribution list that CZN’s security adjustment request will be brought to the Board for decision (attached).

Authorization Requirements

Licence MV2019L2-0006 Part C, condition 5 states the following:

Unless otherwise approved by the Board, the Licensee may not submit security adjustment requests except with any of the following submissions:

- a) Closure and Reclamation Plans;
- b) Closure and Reclamation Completion Reports; or
- c) Performance Assessment Reports.

As per Licence MV2019L2-0006, Part C, condition 5, CZN may only apply for a security adjustment if:

- (1) the Plans or Reports listed in Part C, condition 5 are submitted, and
- (2) if those Plans or Reports listed in Part C, condition 5 are not submitted, then CZN needs the Board’s approval to adjust security.

Since CZN did not submit the Plans and Reports listed in the Licence MV2019L2-0006, Part C, condition 5, CZN requires permission from the Board in order to submit a security adjustment.

4. Comments

CZN provided reasons for the security adjustment request, which Board staff have analyzed in order to help the Board decide whether to grant the security adjustment request. This analysis is presented below.

Underground Workings Liability

As stated in the Board’s Reasons for Decision, the Board accepted GNWT’s security recommendation because GNWT provided evidence that they had considered CZN’s limited site liability and included consideration for care and maintenance activities, which the Board determined to be a reasonable contingency to include. In CZN’s security adjustment request letter, CZN believes the Board made the decision assuming that the impacts associated with the underground workings are CZN’s responsibility. Board staff are of the opinion that CZN’s argument would not have led to different decisions based on the following statements from the Reasons for Decision:

- 1) The Board has already noted in the Reasons for Decision (RFD) that it is not explicitly clear whether CZN is fully liable for the treatment of water emanating from the underground workings;

- 2) The Board has already stated in the RFD that the Surface Lease is administered by GNWT and held by CZN, thus disagreement between the parties regarding obligation under the Surface Lease are between CZN and GNWT; and
- 3) The Board had already noted in the RFD that GNWT acknowledged that their estimates consider CZN's limited liability.

Board staff are of the opinion that CZN's reasoning does not provide any new evidence for the Board to consider adjusting security.

Amalgamation of Mining and Mineral Exploration Licences

The Board had advised CZN to amend the Mining Licence MV2008L2-0002 to include the activities in Mineral Exploration Licence MV2019L2-0006. CZN noted in its letter that it needs more time to consider the Board's advice. Board staff are of the opinion that CZN's consideration to apply for the amendment is irrelevant to posting the security required under the Licence MV2019L2-0006. Licence MV2019L2-0006 has been issued by the Board, but whether CZN will in fact apply for the licence amendment is unknown at this point. If CZN decides to apply for the amendment in the future, the security can be adjusted accordingly at that time. Therefore, Board staff are of the opinion that CZN's consideration to amalgamate the Mining and Mineral Exploration Licence is not a valid reason to grant the security adjustment request at this time. Should CZN determine that their exploration Permit and Licence should be combined under their mining and milling authorizations when they apply for renewal, it would be a requirement to revise security at that time.

Discussion with GNWT

CZN indicated that it requires more time to discuss with the Government of Northwest Territories (GNWT) Department of Environment and Natural Resources (ENR) regarding the responsibility for water treatment from the underground workings. In the RFD, the Board had already noted that the disagreements between the CZN and GNWT regarding obligations under the Surface Lease do not involve the Board. The disagreement between CZN and GNWT was already presented as evidence to the Board for setting security. If CZN can present new evidence from any future discussions with GNWT to the Board, CZN could request for a security adjustment at that time. Therefore, Board staff are of the opinion that CZN's wishes to have future discussions with GNWT regarding the liability of the underground working is not a valid reason to grant security adjustment at this time.

CZN's Request to Defer Security Increase

Board staff note that CZN's request to defer the security increase will be addressed through a separate process as a public review is required before bringing the extension request to the Board for consideration.

5. Public Review

The security adjustment request was not distributed for review on the Online Review System as CZN requires the Board's permission to grant the security adjustment request as per Licence MV2019L2-0006 Part C, condition 5. On December 6, 2019, Board staff notified the distribution list that the request would be brought to the Board for consideration and noted any comments can be sent to Board staff. On December 11, 2019, letters were received from GNWT Department of Lands (Lands) and ENR (attached). Both Lands and ENR do not have any comments or recommendation at this time. Lands noted that the Reasons for Decision states the mechanism to revise a Permit security is through an

amendment process. Board staff note that a public review of the proposed security estimate is required prior to Board decision.

6. Conclusion

Board staff conclude that CZN's letter dated November 27, 2019 does not provide new evidence that warrants a security adjustment.

7. Recommendation

Board staff recommend the Board make a motion to **deny the security adjustment request for Water Licence MV2019L2-0006 and Land Use Permit MV2019C0011.**

A draft decision letter is attached.

8. Attachments

- [Security Adjustment Request](#)
- [Board staff Notify Distribution List of Request](#)
- [GNWT-ENR Letter on Security Adjustment Request](#)
- [GNWT-Lands Letter on Security Adjustment Request](#)
- [Licence MV2019L2-0006 and Reasons for Decision](#)
- [Permit MV2019C0011 and Reasons for Decision](#)
- Draft Decision Letter from the Board

Respectfully submitted,



Jacqueline Ho
Regulatory Specialist