Partnering with Private Industry to Reduce Liability

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Introduction

• Contaminated sites in the Northern Contaminated Sites Program portfolio originate from past government military activity or private sector resource extraction.

• Resource extraction is an important economic driver
  • Operated within historical legal frameworks when many environmental protection measures were less stringent.

• In the 1990’s, the price of commodities dropped considerably and many mining companies filed for bankruptcy
  • These abandoned mines became the responsibility of the Government of Canada.

• A mine site reclamation policy has since been implemented to limit any future liability for new and/or existing mines.
Northern Contaminated Sites Program Mandate

“to manage contaminated sites in a cost-effective and consistent manner, to reduce and eliminate, where possible, risk to human and environmental health and liability associated with contaminated sites.”
Challenges & Opportunities

• Challenges that the Program faces:
  • Limited availability of resources
  • Remote sites with high mobilization costs
  • Addressing the legacy of abandoned mine sites

• The Program is working with the private sector to:
  • Take advantage of existing labour and equipment
  • Align with work already occurring in the region
  • Leverage historical mine assets to encourage the redevelopment of land that is already impacted
Example #1 – BAR-C Tununuk Point

• Small site (remediation estimate of C$7M):
  • Operated as a military site from 1945 to 1950’s
  • Also operated by Imperial Oil as a staging area from the 1970’s until present
  • Government of Canada and Imperial Oil are each responsible for the remediation of a portion of the site
Example #1 – BAR-C Tununuk Point

• A Remediation Agreement was negotiated in 2013:
  – *Imperial Oil completes the remediation all impacts at the same time*
  – *Government of Canada provides a lump sum payment for known hydrocarbon contaminated soil*
    – Approximately half when the deal was signed
    – Remaining amount when Government of Canada confirms that the work was completed as per the Remedial Action Plan
  – *Adjustment to the final payment will be made, using a unit rate, if more/less contamination is discovered*
Example #1 – BAR-C Tununuk Point

**Estimated savings of C$2-5M**
Example #2 – Diversified, Spider & Chalco Lake

• 3 small sites (remediation estimate of C$10M):
  • Advanced exploration and limited gold mining
  • Operated intermittently from approximately 1940 until 1990’s
  • Previous owners abandoned the properties
  • Adjacent to Colomac, a large former gold mine remediated by Government of Canada
• All properties surrounding Colomac, including 3 sites, were recently re-staked by Nighthawk
Example #2 – Diversified, Spider & Chalco Lake

- A Conveyance and Reclamation Agreement was negotiated in 2011:
  - Government of Canada transfers a surplus piece of equipment as-is, where-is to Nighthawk
  - Government of Canada also provides mineral claims from former Colomac mine that can be redeveloped into a new mine
  - Nighthawk assumes responsibility for remediation of 3 small historical sites at no cost to Government of Canada
  - Nighthawk posts letter of credit which will be returned once remediation work is complete
Example #2 – Diversified, Spider & Chalco Lake

Estimated savings of C$5-10M
Example #3 – United Keno Hill Mine

• Large site (remediation estimate of C$150M):
  – Former silver mine spread over 15,000 hectares
  – Operated intermittently from approximately 1910 until 1990’s
  – Previous owner became insolvent and abandoned the mine
  – Government of Canada became owner of the property, including assets
  – Property was recently sold, through a competitive process, to Alexco Resources
Example #3 – United Keno Hill Mine

• A Subsidiary Agreement was completed in 2006 and amended in 2013:
  – Allows Alexco Resources to redevelop portions of the mine
    – New Owner assumes all historical liability associated with portions of the property they develop
  – Cost for ongoing care and maintenance is shared equally
  – The cost to develop the remediation plan is cost shared
  – Alexco Resources financially contributes a portion of the overall remediation cost
  – Alexco Resources completes the remediation work on behalf of Canada for less than what would be charged to other third parties
  – Government of Canada receives a royalty payment for any portion of the mine that is in production
Example #3 – United Keno Hill Mine

Estimated savings of C$25-30M
Conclusion

• Working with the private sector has allowed our Program to develop synergies and successfully reduce liability associated with contaminated sites
  – Additional abandoned mine sites are being investigated to take advantage of partnerships with industry

• Overall Results of the Program (8 years)
  – 120,000 hours of training provided to 3,400 employees
  – 3,000,000 person-hrs of employment
  – awarded approximately C$425M worth of remediation contracts (almost 80% to Northern or Aboriginal companies)
  – 35 sites completed to-date