



Aboriginal Affairs and
Northern Development Canada

Affaires autochtones et
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December 19, 2011

Mackenzie Valley Environmental Impact Review Board
#200 Scotia Centre
5102-50th Avenue
Yellowknife, NT X1A 2N7

VIA EMAIL: chubert@reviewboard.ca

Re: AANDC Response to YKDFN Information Request for Fortune Mineral Ltd.'s Proposed NICO Mine Project

Aboriginal Affairs and Northern Development Canada (AANDC) is pleased to provide the Mackenzie Valley Environmental Impact Review Board (MVEIRB) with our response to the Yellowknives Dene First Nation (YKDFN) information request 1.3.

Should there be any questions about this response, please contact me at (867) 669-2673.

Sincerely,

Julian Kanigan
A/Section Head, Environmental Assessment and Agreements
Environment and Conservation
Aboriginal Affairs and Northern Development Canada

AANDC Response to YKDFN Information Request 1.3

Source: YKDFN IR #1.3

To: AANDC, Fortune Minerals

Subject: Security Bond

YKDFN Preamble:

The company states: "A security bond will be posted so that money is available to take care of potential water quality issues" [underline added]. In reading the closure discussion within the DAR, it seems that final closure is approximately 170 years in the future (20 years of operation, 120 years of closure, 30 years of monitoring). This is unprecedented in terms of NWT closure security bonds. Considering that this company has only a single project, there is little redundancy or amortization of the risk associated with default, meaning that the probability that the citizens and taxpayers is increased over similar companies with many producing operations. For instance, what is not clear to YKDFN is how this security will be established given the great deal of financial uncertainty in the future – how will this company ensure that the environmental liabilities that it defers to far off in the future will be adequately insured.

YKDFN Request:

The YKDFN would like the company and AANDC to discuss how they see this extreme amount of time affecting the amount of a security bond that is required. This should further consider that this company only has a single producing property. The residents of the NWT, including YKDFN have no desire to pay for another abandoned mine in the future.

AANDC Response:

AANDC's approach to mine site reclamation in the Northwest Territories is outlined in the 2002 *Mine Site Reclamation Policy for the Northwest Territories*.

<http://www.aadnc-aandc.gc.ca/eng/1100100036038>

The policy was designed to "ensure that mining operations in the Northwest Territories do not leave a legacy of environmental and human health hazards and a financial burden on the Canadian taxpayer." One of the general principles of the policy is that "adequate security should be provided to ensure the cost of reclamation, including shutdown, closure and post-closure, is born by the operator of the mine rather than the Crown."

In support of this objective, the policy states that financial security held for mine site reclamation must be readily convertible to cash, and have the following basic criteria:

- “Subject to applicable legislation and due process, it must provide the Crown with immediate, unconditional, unencumbered access to the full amount of the security.
- It must retain its full value throughout the life of the mine and, if applicable, beyond.
- It must remain beyond the control of the mining company, or its creditors in the event of insolvency. The Minister may consider new or innovative forms of security, such as reclamation trusts, provided they meet the above criteria.”

To be clear, AANDC’s *Mine Site Reclamation Policy for the Northwest Territories* (2002) requires that adequate security be posted for all phases of a proposed mine, including closure and post-closure activities, regardless of the length of time required for those activities. Before development can proceed, financial security is required in a form that is accessible to the Crown at all times, irrespective of the size and resources of the company proposing the development.