

THE STRATHCONA AGREEMENT

THIS AGREEMENT was made this 18th day of June, 1974

BETWEEN:

HER MAJESTY THE QUEEN in right  
of Canada, hereinafter called  
"HER MAJESTY",

OF THE FIRST PART

AND

MINERAL RESOURCES INTERNATIONAL  
LIMITED, a body corporate, incorporated  
under the laws of the Province of  
Ontario and having its registered  
office at 401-44 Victoria Street, in  
the City of Toronto, in the Province  
of Ontario, hereinafter called  
"the Company",

OF THE SECOND PART

WHEREAS the Company is desirous of bringing into  
operation a mine for the commercial production of lead and zinc  
concentrates at Strathcona Sound on Baffin Island, the Northwest  
Territories, subject to the terms and conditions specified  
herein;

WHEREAS Her Majesty wishes to encourage and support  
the proposed mining development in order to provide employment  
and other socio-economic opportunities for Canadians, particularly  
those resident in the said Territory, and to obtain information  
on resource development possibilities in Arctic areas of the  
Northwest Territories; according to the Government's Priorities  
for the North as set out in Canada's North, 1970-1980, and;

WHEREAS the feasibility of commencing commercial  
production in a manner acceptable to Her Majesty will depend,  
to a substantial extent on the co-operation and financial support  
of Her Majesty as hereinafter set forth;

NOW THEREFORE THIS AGREEMENT WITNESSETH that in  
consideration of the premises, and of the covenants and agreements

contained herein, the parties covenant and agree, each with the other as follows:

1. In this Agreement,

- (a) "apprentice" means a person nominated by the Counsellor and accepted by the Company to fill one of the designated apprentice positions;
- (b) "area development road" means an area development road as defined in the Northern Roads Policy of the Department as authorized by Cabinet on December 21, 1971;
- (c) "Canada Manpower" means an officer of the Department of Manpower and Immigration;
- (d) "Commission" means the Northern Canada Power Commission;
- (e) "Commissioner" means the Commissioner of the Northwest Territories or any person authorized to act on his behalf;
- (f) "Counsellor" means an officer appointed by the Commissioner to provide information, guidance and assistance to northern residents and their families in respect to training, job orientation, working, and living conditions and social adjustment, before, during and after employment;
- (g) "Department" means the Department of Indian Affairs and Northern Development;
- (h) "development area" means a development area as defined by the Area Development Ordinance, Revised Ordinances of the Northwest Territories;
- (i) "employee" means a person who meets the employment criteria and is referred for employment by the Canada Manpower Centre and is accepted by the Company in a regular or training positions;

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- (g) "Department" means the Department of Indian Affairs and Northern Development;
- (h) "development area" means a development area as defined by the Area Development Ordinance, Revised Ordinances of the Northwest Territories;
- (i) "employee" means a person who meets the employment criteria and is referred for employment by the Canada Manpower Centre and is accepted by the Company in a regular or training positions;

- (j) "Feasibility Study" means the feasibility study prepared for the Company by Watts, Griffis and McQuat of Toronto;
- (k) "leased land" means land leased by the Company pursuant to section 3 of this Agreement;
- (l) "Local Apprenticeship Committee" means a committee appointed by the Superintendent of Apprenticeship Training to provide advice and assistance on matters relating to apprenticeship and tradesmen's qualifications;
- (m) "mine" means the aggregate of the facilities enumerated in paragraphs (a), (b), (c) and (d) of subsection (2) of section 2;
- (n) "mine area" means the area immediately surrounding the mine over which the Company holds, or is assigned, leases for the purpose of developing and operating the mine;
- (o) "Minister" means the Minister of Indian Affairs and Northern Development or any person authorized to act on his behalf;
- (p) "northern resident" means those persons born in the Northwest Territories and Arctic Quebec who have resided in the Northwest Territories for at least 75 per cent of their lifetime, but who may have relocated outside of the Northwest Territories in order to seek employment;
- (q) "pioneer road" means a pioneer road as defined in the Northern Roads Policy of the Department as authorized by Cabinet on December 21, 1971;
- (r) "processing" means treatment of mine concentrates to at least the production of metal stage;

- (s) "project" means all stages in the life of the mine and its associated infrastructure including all exploration and development activities from the date of signing this Agreement;
  - (t) "regular position" means a position established by the Company which is required as a continuing part of the mine operation;
  - (u) "Territory" means the Northwest Territories;
  - (v) "trainee" means a northern resident designated by Canada Manpower or the Counsellor and accepted by the Company in a training position;
  - (w) "Training and Employment Advisory Committee" means a committee composed of the Counsellor, a representative from Canada Manpower, a person designated by the Company, and a native person nominated by native employees and trainees, the Chairman of which shall be the Counsellor;
  - (x) "training position" means a position identified from time to time by the Company for the purpose of preparing a northern resident to occupy a regular position.
2. (1) This Agreement will be carried out in two stages.
- (2) During the first stage the Company will
- (a) develop and bring into production a mine capable of producing at the rate of 525,000 tons of ore per annum,
  - (b) construct and bring to effective operation a concentrator, with a rated capacity of 1,500 tons per day, to produce lead and zinc concentrates,

- (c) Construct such other facilities as are required to complement and service the mine and concentrator, such facilities to include
  - (i) safety, first aid and medical services as are required in the Public Health Ordinance of the Northwest Territories to be available at the mine site,
  - (ii) a room in one of the service buildings suitable for training programs.
- (d) arrange for the disposal of concentrator tailings and other waste materials in a manner consistent with the provisions of section 17,
- (e) assist in the design and development of the development area pursuant to section 5 by consulting and co-operating with the Commissioner in this work and in the preparation of such financial submissions as are required, and
- (f) Undertake other Stage 1 activities as are specified in this Agreement.

(3) The first stage starts on the day this Agreement is delivered, after having been signed and sealed, and ends on the day the mine comes into production, within the meaning of section 28(2) (c) of the Income Tax Application Rules, 1971. This stage is to be completed within a period of four years unless otherwise approved by the Minister.

(4) Based on present ore reserves and the initial design capacity of the mine and concentrator, the Company will, during the second stage, operate the mine and concentrator for twelve

full production years which may extend beyond twelve calendar years. The production rate of the mine and concentrator shall be between 450,000 tons and 600,000 tons of ore per annum unless otherwise approved by the Minister. Any changes in the production life are subject to the approval of the Minister.

(5) The second stage starts on the day following immediately the day on which the first stage ends. Stage 2 ends when the project is permanently closed and all the Company's responsibilities under this Agreement are discharged.

3. The Minister will, upon the execution of this Agreement, recommend to the Governor-in-Council the issue of a surface lease to the Company to cover an area suitable for its operations including a mill site, an underground mine, ancillary services, and the area required for disposal of concentrator tailings.

4. (1) The Company will co-operate with the Counsellor and Canada Manpower to provide information, guidance and assistance to northern residents in respect of job possibilities, training, job orientation, relocation, working and living conditions and social adjustment.

(2) The Commissioner will designate an employee of the Government of the Northwest Territories who will act as Counsellor.

(3) Where northern residents lack the basic education to qualify for initial entry into training positions the Counsellor will arrange for the upgrading of those residents to the required standard.

(4) Job standards will be set by the Company in co-operation with the Government of the Northwest Territories and such standards should reflect the job to be done and not unrealistic academic levels.

(5) The Company will permit the Counsellor to contact employees covered by this Agreement and their supervisors at all reasonable times for the purpose of evaluating the progress of such employees. Where possible such interviews will be cleared with Company management before they take place.

(6) The Training and Employment Advisory Committee will meet at least once a month to review the progress of the stated objectives and terms of this section of the Agreement. A report of such meetings will be sent to the Minister, the Commissioner and the Minister of Manpower and Immigration.

(7) The Company will provide Canada Manpower and the Counsellor with a breakdown of work force requirements during the construction and operation and life of the mine, wharf, airport, power plant, townsite and all other operations.

(8) All northern residents in the employ of the Company will enjoy equal benefits and privileges in respect to transportation costs, accommodation, shift rotation and recreation with employees who are not classified as northern residents.

(9) (a) Employment policies of the Company governing employees at the project are to be developed in consultation with the Commissioner.

(b) The Company will endeavour to develop work schedules compatible with the traditional pursuits of northern residents.

(10) The Company and the Commissioner shall make available to non-northern employees orientation courses for the purpose of familiarizing them with cultural and social patterns of northern residents.



(11) The Company will take prompt disciplinary action against supervisors or foremen who exhibit discriminatory attitudes or behaviour towards northern resident employees.

(12) The Company will provide at its sole expense, satisfactory office space on its premises at its Strathcona Sounc project for the Counsellor and Canada Manpower.

(13) The Company is to provide all working and safety instructions in Eskimo syllabics and the official languages of Canada.

(14) The Company will ensure that all contractors and sub-contractors accept the intent and operate within the principles of the Agreement with respect to section 4.

(15) The conditions referred to in subsections (1) to (14) and (18) to (31) inclusive, of section 4 may be modified, if they are not complied with, if the Minister is of the opinion that the Company has made a bona fide effort to comply with them.

(16) The Company will meet annually with the Minister to evaluate the progress being made in training and in the employment of northern residents in the light of such factors as wages, employee turnover, career development and innovative employment practices.

(17) In addition to complying with the undertakings set forth in subsection (1) to (14) and (18) to (31) inclusive of section 4, the Company will comply with the Fair Practices Ordinance, of the Northwest Territories.

(18) The Company will use the services and facilities of the Government of the Northwest Territories and the Department of Manpower and Immigration to the maximum extent practicable

under applicable policies and regulations for training northern residents.

(19) The Superintendent of Apprenticeship Training may appoint a "Local Apprenticeship Committee" to provide advice and assistance on matters relating to apprenticeship and tradesmen's qualifications.

(20) The Company will, in consultation with the Training and Employment Advisory Committee, provide on-the-job training positions for northern residents.

(21) The Company will provide training for a minimum of twelve northern resident apprentices in accordance with the requirements of the Apprentice Training Ordinance of the Northwest Territories.

(22) All employees, including trainees, will become eligible for Company benefits arising out of employment in a regular position after three months of satisfactory employment whether it be spent in a regular position, trainee position or combination thereof.

(23) To ensure career progression amongst apprentices the Company must meet standards for the training of apprentices to achieve journeyman status as provided by the Apprentice Training Ordinance. The apprentice's performance will be reviewed every 90 days in light of these criteria by the Company and the Counsellor and the apprentice informed of his strengths and weaknesses. All measures must be taken to help the apprentice overcome his difficulties bearing in mind that journeyman status will be the ultimate goal.

(24) The Company will continue to employ each trainee who has completed his training to the satisfaction of the Company, the Counsellor and Canada Manpower, if applicable, in the job category for which he has been trained.

(25) The Company will place job orders for their total work force requirements with Canada Manpower, allowing sufficient time to identify and refer qualified northern residents with priority given to those originating from the following zones in the order set out below:

- Zone 1. Baffin Region
- Zone 2. Keewatin and Arctic  
Coast Regions
- Zone 3. That part of the Territory  
not included in Zone 1  
or Zone 2.

(26) The Company must show just cause to Canada Manpower and the Counsellor if any northern residents referred to are not offered employment.

(27) The Company will provide the Counsellor, at agreed intervals, with a roster of employees, with their job classifications, identifying the northern residents.

(28) The Company will provide the Counsellor with prior notice of the termination of the employment of any northern resident. Where the termination is the result of the Company's initiative the Company must be able to demonstrate to the reasonable satisfaction of the Counsellor that such action is necessary. Where an employee has been discharged, resigns, or is laid off, the Company will be responsible for repatriating the former employee and his dependents to his or their former community or southern point of hire. The Company will have pre-established

procedures for removal compensation.

(29) The Company agrees to employ in the operation of the mine, northern residents in all positions for which such residents can be recruited by the Company directly, or through Canada Manpower. As a goal, the Company and the Minister further agree that within 3 years after the beginning of Stage 2, the Company will fill at least 60 per cent of its regular positions in its total work force with northern residents.

5. (1) The Minister will set aside sufficient land for the development area and will request the Commissioner to define and establish the development area by regulations to control jurisdictional areas pursuant to the Area Development Ordinance, of the Northwest Territories and to appoint an Area Development Officer no later than August 31, 1974.

(2) The Minister will request the Commissioner subject to the laws of the Territories, and after consultation with the local people, to negotiate a series of separate agreements with the Company for the development of a townsite at Strathcona Sound within the principles outlined in the following paragraphs of this section.

(a) The Commissioner will be responsible for the planning and design of the townsite and the development area at an estimated cost of \$200,000 and will recover all costs together with interest from rate payers of the townsite over a 12 year period.

(b) The Commissioner will be responsible for the design and construction of all municipal roads, services, fire hall and municipal garage at an estimated cost

of \$900,000. Furthermore the Commissioner will recover all costs together with interest from the various users over a 12 year period.

(c) The Commissioner will be responsible for the design and construction of the school, library and recreational facilities for the townsite and will provide funds estimated at \$800,000 for such facilities, subject to recovering from the Company a total of \$175,000 for recreational facilities through 12 equal and annual installments.

(d) The Commissioner will be responsible for all design and construction of space and facilities for service and commercial use, at an estimated cost of \$300,000 which will be recovered together with interest from the various users over 12 years.

(e) All recoveries referred to in paragraphs (a), (b), (c) and (d) will be subject to an extended amortization if the mine life extends beyond 12 years or conversely if the mine life is shortened total payments will be amortized over the shorter period.

(f) Total government financial assistance for capital cost of townsite development, including Central Mortgage and Housing Corporation, Housing and Development Loans and other Government loans, is estimated at \$7.3 million.

(g) The Minister acting on the advice of the Commissioner will request the President of Central Mortgage and Housing Corporation to provide all Corporation loans that are necessary, applicable and available for the townsite development.

(h) When a municipality is formed, normal municipal grant structures will apply.

(i) Operation and maintenance costs of municipal services and general municipal administration, including equipment and building maintenance and operation but excluding the school, will be fully recoverable from all users.

(j) (i) accommodation for Company employees is to be the responsibility of the Company in terms of construction and administration.

(ii) the Company in consultation with the Commissioner will provide suitable furnished accommodation for its married and single employees of a suitable standard and such accommodation will be allocated through agreement between the Company and the Commissioner in accordance with the provisions of Section 4 of this Agreement;

(iii) The accommodation allocated for use by employees for whom the Commissioner or the Company is responsible is subject to exchange according to requirements from time to time.

(3) Acting on the advice of the Commissioner the Company agrees to consult with the Settlement Councils of Arctic Bay, Pont Inlet, Igloolik, Hall Beach and Clyde River in so far as the project affects the interests of these settlements.

(4) The Company agrees to recognize that any settlement established in the Strathcona Sound development area has the full right to develop such local government structures as are

recognized in the Territory and such bodies, where formed, shall be responsible for local, social and political development. Until such time as a local government is established the company agrees to co-operate with an Area Development Officer to be appointed by the Commissioner after this Agreement comes into effect.

(5) The Company agrees that until a local government is established in the development area the Company will restrict the use of alcoholic beverages within the development area as directed by the Commissioner.

(6) The Minister will request the Postmaster-General to establish postal services within the development area.

(7) The minister will request the Commissioner and the Solicitor-General to provide adequate police services for the development area.

(8) Her Majesty will provide health services for the development area during Stage 2 of the project on a cost-shared basis with the Company under a separate agreement to be negotiated between the Company, the Minister of National Health and Welfare and the Commissioner, the Company to bear 50 per cent of capital and operating costs of such facilities, the Company contribution to capital cost not to exceed \$250,000. The Company will be responsible for all medical and dental transportation for employees and their dependants.

(9) No contracts for supply of local services, including retail outlets, will be tendered or let without prior consultation with the Commissioner.

6. If and when social problems arise either directly or indirectly through effects of the project, the Company will co-operate in the investigation and solution of such problems. The Company shall also investigate through the conduct of social research the impact of its development and will determine in co-operation with the Minister and the Commissioner the timing, design, staffing, and execution of such research.

7. (1) The Minister will instruct the Commission to enter into negotiations with the Company to operate a power station,

- (a) to be financed and built by the Company to a design acceptable to the Commission,
- (b) to supply (i) power to the mine and the development area, and  
(ii) surplus power at cost to other potential users.

(2) The Company agrees to enter into the negotiations described in subsection (1).

(3) The Company agrees that in the case of power shortages domestic power usage is to have preference over mine power usage.

8. (1) Her Majesty will provide for the construction of

- (a) a pioneer road from Arctic Bay to the boundary of the leased land,
- (b) a pioneer road from the Strathcona Sound airport to the road referred to in paragraph (a), and
- (c) an area development road from the leased land to the wharf referred to in section 9,

at a total estimated capital cost to Her Majesty for these roads of \$2.1 million.



(2) Her Majesty will be responsible for maintenance costs of the roads referred to in subsection (1).

(3) The Company will undertake to build the roads referred to in subsection (1) in accordance with a separate agreement to be negotiated between Her Majesty and the Company. Her Majesty reserves the right to make other arrangements for the construction of the roads that may be in the interests of Her Majesty.

9. (1) Her Majesty will provide for the construction of a new public cargo shipping wharf at Strathcona Sound in accordance with plans and specifications acceptable to Her Majesty at an estimated capital cost to Her Majesty of \$3.8 million.

(2) Seventy-five (75) per cent of the capital cost of the wharf referred to in subsection (1) is to be recovered by Her Majesty by way of user charges based on an estimated project life of 12 years, subject to the provisions of section 24. Operating and maintenance costs are to be the responsibility of the Company on a user basis.

(3) The Company undertakes to build the wharf referred to in subsection (1) in accordance with a separate agreement to be negotiated between Her Majesty and the Company subject to the reservation that Her Majesty may make any other arrangement for construction of the wharf that may be in the interests of Her Majesty.

10. (1) Her Majesty will provide for the construction of a new airport at Strathcona Sound to Arctic Class "b" standards in accordance with plans and specifications acceptable to Her Majesty at an estimated total capital cost to Her Majesty of \$3.5 million.

(2) Upon completion of the construction of the airport and acceptance by Her Majesty of the airport as a completed work, operating and maintenance costs of the airport shall be the responsibility of Her Majesty subject to normal airport user charges.

(3) The Company undertakes to build the airport referred to in subsection (1) in accordance with a separate agreement to be negotiated between Her Majesty and the Company subject to the reservation that Her Majesty may make other arrangement for construction of the airport that may be in the interests of Her Majesty.

11. The assistance and facilities to be provided by Her Majesty pursuant to sections 5, 8, 9 and 10 hereof shall be made available as required by the project.

12. (1) The Company will maximize and give preference to the use of Canadian services, materials and equipment for all phases of design, construction and operation, to the extent that such services, materials, equipment, and components are available from Canadian engineering and construction firms or from Canadian production at competitive prices, quality and delivery by:

(a) consultation with the General Director of the Machinery Branch of the Department of Industry, Trade and Commerce prior to issuing calls for tender to ensure qualified Canadian firms are invited to tender,

(b) providing Canadian consultants, contractors and materials and equipment producers with adequate technical and other data and adequate time to submit a proposal,

(c) consultation with the General Director of the Machinery Branch of the Department of Industry, Trade and Commerce prior to placing any orders with foreign suppliers to ensure that Canadian services, material and equipment are given preferred status. In those cases where Canadian bids are close to foreign bids, the Company will be requested to:

(i) review all data relating to bids, particularly specifications, to ensure discrepancies have not occurred in the interpretation of the requirements by Canadian bidders, and

(ii) assure that comparison of quotations is made on the basis of cost of items laid down at site, or other agreed upon location, and inclusive of any import duties, notwithstanding the fact the item may be subject to remission of duty.

(2) On request the Company will submit purchase receipts to the Minister of Industry, Trade and Commerce.

13. (1) It is acknowledged by the Company and Her Majesty that shipping agreements for the transport of products from the project shall be entered into with first consideration being given to:

(a) ensuring the reliability of such transportation;  
(b) ensuring that such transport is carried out on competitive terms.

(2) (a) Subject to subsection (1) the Company shall use Canadian-flag, and Canadian-built vessels for the transport of supplies and other materials to the

project and for the transport of products from the project.

(b) The Company shall consult with the Ministers of Transport and Industry, Trade and Commerce prior to negotiating with foreign shipping firms to ensure that Canadian firms are contacted and given adequate opportunity to compete.

(c) The Company will present for assessment by the Ministers of Transport and Industry, Trade and Commerce proposed afreightment contracts, to ensure that Canadian firms are given preferred status when suitable Canadian ships are available.

(d) Should the Company demonstrate that Canadian-flag and Canadian-built vessels are unavailable at commercially reasonable rates or inadequate for the required service, the Company may be authorized by Her Majesty to use non-Canadian ships. For products being moved out from the project such authorization shall be for not longer than the first two shipping seasons and thereafter for not longer than one shipping season. For supplies and materials being moved into the project, regardless of origin of these supplies and materials, authorization shall be for not longer than one shipping season. Her Majesty acknowledges that the Company may enter into longer term shipping agreements for transport of products from the project provided that such agreements contain provision for cancellation after two years.

(e) The Company will use its best efforts to the satisfaction of the Minister of Transport to ensure that in afreightment contracts with foreign firms a minimum of two Canadian deck officers will be on board each non-Canadian ship for familiarization and training purposes during the time the non-Canadian ships are operating in Canadian waters under contract to the Company. Her Majesty will reimburse the Company for the day-to-day costs of these officers.

14. (1) To optimize the experience benefits obtainable from all stages of this pilot arctic resources project, the Company shall permit officers of the Government of Canada of the Northwest Territories or other persons designated by the Minister or the Commissioner

(a) to have access at all reasonable times to all company records and studies, including technical, personnel and financial records,

(b) to study aspects of the project which in the opinion of the Minister or the Commissioner can provide significant experience benefits for this and other current and future projects in the Territory.

(c) to request that information required to undertake these activities be provided in a form set out by the designated officers of the Government of Canada or the Northwest Territories or other designated persons, if such request is not unreasonable,

(d) to engage in research in the development area aimed at generating a better understanding of technical,

- (c) The Company agrees to the monitoring by government officials of the environmental study projects referred to in this section.
- (d) All reports and data generated by the Company of an environmental nature or consequence are to be submitted to the Minister.
- (e) The Company shall conduct baseline studies of living resources in the area to facilitate effective protection and management on a sustained yield basis of these resources that might be affected by the presence of the mining development.
- (f)
  - (i) The Company shall undertake a detailed assessment of Twin Lakes and its drainage area including water budget and volume of water available to ensure supply is sufficient to meet the requirements of the development area.
  - (ii) The Company shall submit data on the water quality of the proposed water supply source to the Northwest Territories Water Board.
- (g) The Company shall investigate
  - (i) methods to reduce freshwater usage within the mine and mill, including recycling processes and the use of backfill techniques to reduce tailings slurry, and
  - (ii) the feasibility of electrical heating of mine water.
- (h) The Company shall carry out studies to analyze the air pollution effects and operating implications

(2) The company will be permitted to dispose of tailings on land, subject to the completion of studies and technical investigations necessary to ensure acceptable location, design and operation of the tailings disposal system. In order to arrive at an adequate assessment of disposal of tailings on land, the Company shall undertake studies and investigations of the following:

- (a) alternative sites,
- (b) stability of tailings pond embankments,
- (c) tailings pond capacity requirement over anticipated life of the mine,
- (d) operation of the tailings pond including retention time, minimization of glaciation and decant methods for disposal of liquid fraction,
- (e) redirection of freshwater run-off from the tailings area.

(3) (a) The Company shall be permitted to dispose of tailings in Strathcona Sound if detailed environmental studies are carried out by the Company and it is clearly demonstrated to the satisfaction of the Minister of the Environment and the Minister that damage to the marine ecosystem is controllable and acceptable and potentially less hazardous to the environment than the land disposal alternative. Environmental studies required and their respective purposes are as follows:

- (i) physical and chemical oceanographic characteristic studies of Strathcona Sound waters and their relationship to the waters of Admiralty Inlet. This information is

(vii) polar bear studies to determine the occurrence, denning and movement habits of the polar bear community utilizing the Strathcona Sound area to enable assessment of the possible intake of undesirable levels of contaminants in the polar bear populations through the marine disposal;

(viii) seabird studies to determine the status of seabirds utilizing the Strathcona Sound area, including distribution species composition, feeding and reproductive ecology, components of the food chain, with the object of determining possible adverse effects on these populations of uptake of contaminants resulting from marine disposal.

(b) If it is clearly shown to the satisfaction of the Minister of the Environment and the Minister that,

(i) the tailings are not toxic, and

(ii) the tailings settle directly to the bottom of Strathcona Sound (in the deep), and remain immobile

and do not affect the living environment,

then studies referred to in sub-paragraphs (vi), (vii) and (viii) of paragraph (a) may not be required.

18. (1) The Minister will request the Minister of Communications to provide advice and assistance to the Minister, the Commissioner, and the Company, in preparing communication services plans for the project.

(2) Communications services should be provided by the public telecommunications carrier for the area. The Company must justify any private system it wishes to install by showing good reasons for not using the public telecommunications carrier systems.



21. (1) The terms on which the Company sells concentrates from the project will be set for an initial term ending

(a) after four years of full production, or

(b) when loan financing guaranteed by Metallgesellschaft A.G., Billiton B.V. and New Jersey Zinc Company and used by the Company, is repaid from the cash flow generated by the project, whichever alternative is last realized.

(2) In order that the initial term of the concentrate sales agreements referred to in subsection (1) is not unduly extended, the Company agrees that all cash flows derived from the operation of the project, to the extent required by a loan repayment schedule approved by the Minister, shall be applied to the repayments of the indebtedness referred to in paragraph (b) of subsection (1) above.

(3) On December 31 of each production year the Company will report to the Minister the amount of the outstanding loans referred to in subsection (1), together with an estimate of the remaining repayment period.

(4) Terms for the sale of concentrates are to be negotiated at the end of the initial term referred to in subsection (1) and at the end of each two year period thereafter to ensure that the Company sells concentrates on a basis competitive with net smelter returns available elsewhere at that time. The Company agrees with Her Majesty that prior to entering into any renewal of concentrate sales agreements the Company will ensure in accordance with a reasonable procedure approved by the Minister, to provide an opportunity to one or more Canadian smelters to

purchase such concentrates, subject always to the right of refusal by the Company in respect of 50% thereof, on terms no less favourable to the Company than those available elsewhere.

22. Subject to Section 21, should the Company export concentrates from the project for which one or more Canadian smelters offered net smelter returns at least as favourable to those available elsewhere, the Company shall pay to Her Majesty a sum calculated at a rate of 10 per cent of the net smelter returns realized on the sale of such concentrates, it being mutually agreed that the said sum represents a genuine pre-estimate of the amount of damages caused by such non-performance.

23. (1) The Company must ensure that all times the project is effectively and beneficially controlled by Canadians and be able to demonstrate that this is so on a request from the Minister at any time.

(2) Subsection (1) shall not prejudice the rights of secured creditors of the Company to realize or otherwise deal with their security in the event that the Company fails to meet its obligations under loan agreements, the terms and conditions of which shall be subject to the approval of the Minister.

(3) Nothing in this agreement shall conflict with the provisions of the Foreign Investment Review Act.

(4) The Company will undertake to offer in the first instance, the opportunity of advancing any over-run financing of the project earning equity in Nanisivik Mines Limited, to Her Majesty or a company designated by the Minister. Such an offer is to be on conditions at least as favourable as those that would be offered to another company or individual.

24. (1) Prior to the permanent closure of the mine due to the exhaustion of ore reserves the Company agrees to give at least twelve months notice of such closure, to the Minister.

(2) In the event of the permanent closure of the mine it shall be the responsibility of the Company:

(a) to dispose of materials, equipment and buildings, including housing, under its ownership or title, within a time period, and in a manner, satisfactory to the Minister and the Commissioner,

(b) to submit to the appropriate government agencies plans and schedules for the abandonment, clean-up and restoration of the site. The abandonment, clean-up and restoration shall be undertaken in a manner socially, aesthetically and environmentally acceptable to the government agencies concerned. In the case of the tailings disposal system, the planning activities are to be undertaken before Stage 2 commences,

(c) to pay relocation costs not otherwise reimbursable, for employees and their dependents having to move due to impending or actual closure of the mine and

(d) to retire fully any outstanding portions of loans, outstanding user-charges and other debts payable to

Her Majesty and chargeable to the project.

25. (1) In consideration for the assistance provided by Her Majesty the Company shall reserve for Her 18 per cent of all classes of all shares issued and allotted by Nanisivik Mines Ltd., and reserve for Her Majesty the opportunity to participate in any share issues after the initial allocation of shares.

(2) Share certificates representing the percentage of shares set forth in subsection (1) shall be deposited by the Company with a trustee satisfactory to Her Majesty and shall be released to Her upon Her Majesty substantially completing the activities described in sections 5, 8, 9 and 10 of this Agreement.

(3) Her Majesty shall be entitled to representation on the Board of Directors in proportion to Her equity share in the Company, provided that Her Majesty shall be entitled to at least one member of the Board of Directors. Any person occupying such a position shall be designated by the Minister.

(4) The provisions of subsection (3) shall apply mutatis mutandis to the composition of the Executive Committee of the Board of Directors.

26. The Company shall submit to the Minister any agreements or changes in such agreements entered into by the Company and relating to the project.

27. The Company will deliver to the Minister a guarantee deposit of \$500,000 in the form of a guaranteed promissory note to guarantee the observance of the terms and conditions set out herein. Where the Company has failed to comply with the terms and conditions hereof and damage has or is likely to result, and

the Company has not remedied the failure within a reasonable time after it has received notice to do so, then the Minister may take such action as, in his discretion, he deems reasonable to remedy such failure and the costs thereof may be charged against the security deposit.

28. Where the parties are unable to agree upon the terms and conditions to be detailed in separate agreements pursuant to sections 5, 8, 9 and 10 or upon the interpretation of any provision of this Agreement the matter shall be referred to a single arbitrator who shall be a judge of the Federal Court of Canada appointed by the Chief Justice of the Court and the decision of the arbitrator shall be final and binding upon the parties.

29. (1) The Company shall assign this Agreement and all the rights and liabilities hereunder the Nanisivik Mines Ltd. which Company shall own and operate the project. The Company shall cause Nanisivik Mines Ltd. upon such an assignment to undertake with Her Majesty to be bound by and perform all the terms and conditions of this Agreement.

(2) Except as provided in subsection (1) this Agreement shall not be assigned without the prior written consent of the Minister.

30. The Company shall indemnify and save harmless Her Majesty from and against all suits, proceedings, claims, losses, damages, costs, actions or causes of action arising out of all operations of the Company pursuant to this Agreement.

31. All of the time limits contained herein shall be extended in the event of any delay caused by an act of God, Her Majesty's

enemies, quarantine, riots, strikes, perils of navigation or extraordinary weather conditions or any other conditions beyond the reasonable control of the parties, the extension being for the period of such delay.

32. No member of the House of Commons or of the Council of the Northwest Territories shall be admitted to any share or part of this Agreement or to any benefit to arise therefrom.

33. This Agreement enures to the benefit of, and is binding upon Her Majesty, and assigns and the Company, its successors and assigns.

IN WITNESS WHEREOF the Minister of Indian Affairs and Northern Development, on behalf of Her Majesty the Queen in right of Canada, has hereunto set his hand and seal and Mineral Resources International Limited has hereunto affixed its corporate seal attested to by its proper officers authorized in that behalf.

SIGNED, SEALED AND DELIVERED  
by the Minister of Indian  
Affairs and Northern Develop-  
ment, in the presence  
of

Witness

I. ATTAGOTSIAK  
SEALED, ATTESTED TO AND DELIVERED  
by C.F. Agar,  
the President  
and by James Chinman  
the Director  
of Mineral Resources  
International Limited

Minister

(Corporate Seal)