

# Audit Terms of Reference

## Security for Exploration Activities

September 2022

### Context

Mining exploration refers to activities performed to locate, delineate and estimate the quantity of mineable materials at a given location. Information gathered during mining exploration informs whether a producing mine may be economically feasible. Mining exploration encompasses a wide range of activities, from airborne geophysical surveying to excavating bulk samples, which result in varying degrees of disturbance to the ground and the surrounding environment.

In British Columbia, mining exploration is governed primarily by the [Mineral Tenure Act](#), the [Coal Act](#) and the [Mines Act](#), each of which is administered by the Ministry of Energy, Mines and Low Carbon Innovation (the Ministry). Most exploration activities require a title under the *Mineral Tenure Act* or *Coal Act*, and activities involving mechanical disturbance of the ground generally require a permit under the *Mines Act*.

Where a permit is required, the Ministry may collect security (known informally as a bond). Pursuant to section 10(4) of the *Mines Act*, security may be collected “(a) for mine reclamation, and (b) to provide for protection of, and mitigation of damage to, watercourses and cultural heritage resources affected by the mine.” The Ministry manages the full regulatory and administrative process related to security,<sup>1</sup> including calculation, collection, tracking, use, revision and potential return. Security for exploration activities is managed primarily by staff in the Ministry’s five regional operations offices.

The amount of security required for exploration activities is generally determined by information submitted by a proponent in a Notice of Work (NoW) application. In 2018, the Ministry introduced a tool called the [Regional Mine Reclamation Bond Calculator](#) (the Bond Calculator) that is intended to guide Ministry staff in determining the appropriate bond (security) amount for regional mine projects, including exploration activities. Acceptable forms of security are not defined in legislation but are listed on the Ministry’s [website](#).

The Ministry holds security until relevant requirements, including permit conditions, are met on the permitted site to the satisfaction of a mines inspector or until Ministry personnel authorize the use of some or all the security for allowable purposes under the *Mines Act* (e.g., to pay for work done under certain orders or in the case of emergencies). The Ministry may also make changes to the amount of security required based on information obtained during inspections or from reports submitted by a proponent or others.

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<sup>1</sup> One exception is cash security, which are held in accounts managed by the Ministry of Finance and tracked by both the Ministry of Finance and the Ministry of Energy, Mines and Low Carbon Innovation.

According to the [Chief Inspector of Mines Annual Report 2020/21](#),<sup>2</sup> the Ministry currently holds security totalling \$14.5 million for coal exploration, \$27.4 million for mineral exploration and \$10.2 million for placer (inclusive of both placer exploration and production), for a combined total of \$52.1 million. There are over 5,000 exploration and placer permits spread across the province. The wide distribution of these sites and their impacts, including in remote areas, creates unique challenges for managing their security.

The creation of the Bond Calculator and related policies and guidance has spurred interest among the Ministry, industry and Indigenous peoples in security for exploration activities. These relatively recent changes and their ongoing implementation provide an opportunity to identify learnings to support the Ministry's continuous improvement.

## Objective

The objective of the audit is to determine whether the process for managing security for exploration activities accounts for mine reclamation and the mitigation of damage to watercourses and cultural heritage resources.

## Scope

In general terms, the audit will examine:

- The clarity and consistency of the security process for exploration activities.
- The implementation and review of security for exploration activities by Ministry staff.
- Whether the security process for exploration activities mitigates liability and financial risk to the public.

The government has been managing security for mines since 1969 when [An Act to Amend the Mines Regulation Act SBC 1969 c18](#)<sup>3</sup> introduced a mandatory security as a condition of a permit authorizing work at a surface mine. Over the years, the requirements for and administration of security have changed. The audit will focus on current policies, processes and tools, such as the Bond Calculator. The audit team may examine historic data, especially digitized data, to identify differences between current and historic practices. The audit team will not examine historic regulatory requirements, except as required to understand historic data.

The audit will consider any activities defined by the Ministry as “exploration activities” in legislation, regulation, policy or guidance.<sup>4</sup> The audit team will consider these activities regardless of the definition of the potentially mineable material being searched for (i.e., coal, minerals, placer minerals or others) or the location within B.C. However, the audit team will not examine exploration activities falling under

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<sup>2</sup> See page 24.

<sup>3</sup> The *Mines Regulation Act* referenced in SBC 1969 c18 is [An Act to Regulate the Working of All Mines except Coal Mines SBC 1967 c25](#).

<sup>4</sup> Documents that identify exploration activities include the [Health, Safety and Reclamation Code for Mines in British Columbia](#) (the Code), the [Mineral Tenure Act Regulation, Information Update No. 38](#), and the [Handbook for Mineral and Coal Exploration in British Columbia](#), the [Regional Mine Reclamation Bond Calculator Guidance Document](#) and the [BC Placer Mining Best Management Practices Technical Guide](#).

sections 7 or 8 of the [Mines Act Permit Regulation](#) (deemed authorizations for producing mines and permit exemptions for the Ministry of Transportation), as these activities are subject to different authorization processes and generally do not engage *Mines Act* security requirements.

The audit will examine security for exploration activities as required under the *Mines Act* and all aspects of the Ministry's processes for managing security. The audit team will limit its examination of regulatory requirements to those that reference security directly; requirements that relate to the purposes of security, such as requirements for reclamation, will not be examined unless security is explicitly mentioned. As well, security held or required under other statutes (e.g., the *Environmental Management Act*), or the contents of such statutes, will not be considered.

The audit team recognizes that, while the scope of this audit is limited to mining exploration activities, the tools and processes that will be examined are also applicable in whole or in part to other types of mining activities and mines in B.C. Therefore, the conclusions and recommendations of the audit may also have implications beyond mining exploration activities. The audit team will consider the possibility of broader implications of its conclusions and recommendations for the Ministry, the mining industry, Indigenous peoples and others.

## Timeframe and reporting

The audit examination is expected to conclude in spring 2023, though these timelines are subject to change. At the conclusion of examination, the audit team will engage with the Ministry, Indigenous peoples and interested parties on the results prior to releasing a public report summarizing the audit findings, conclusion and recommendations.

### Approved by:



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Karina Sangha  
Chief Auditor

August 26, 2022

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