



Nunavut Regional Office
P.O. Box 100
Iqaluit, NU, X0A 0H0

September 14, 2006

Phyllis Beaulieu
Licensing Administrator
Nunavut Water Board
P.O. Box 119
Gjoa Haven, NU, X0A 1J0

Your file - Votre référence
NWB1NAN0802

Our file - Notre référence
IQA-N 9545-0159(N5L3)-1

**RE: 1AR-NAN - Request for Amendments - CanZinco Ltd. -
Nanisivik Mine Project**

On behalf of the Department of Indian Affairs and Northern Development (DIAND), Water Resources has reviewed the Water Licence Amendments submitted by CanZinco Ltd., a wholly-owned subsidiary of Breakwater Resources Ltd., for the Nanisivik Mine Project. In addition to the documents submitted by CanZinco, Nunavut Water Board Licence NWB1NAN0208 (Licence), the NWB "Reasons for Decision for Licence Application for the Closure and Reclamation of the Nanisivik Mine filed by CanZinco Limited" (Reasons) dated October 10, 2002 and the Closure and Reclamation Monitoring Plan (Plan) July 6, 2004 were reviewed. In the Notice of Amendment Application, the NWB stated that the licence 1AR-NAN is a Type "B" for Exploratory Drilling but the Licence NWB1NAN0208 was for a Type "A" for Industrial Water Use and Waste Disposal.

CanZinco Ltd. has applied for two amendments to their current Licence. The first amendment, dated June 7, 2006, requests the Nunavut Water Board (NWB) to consider SNP station 159-4 as being in year one of closure. This distinction would permit the CanZinco Ltd. to reduce their sampling frequency at 159-4 from daily to weekly. The second amendment, dated June 16, 2006, requests that the NWB reduce sampling frequency for all SNP stations from monthly to quarterly sampling. The NWB requested comments on the amendments on August 17, 2006.

Since the majority of the monitoring season is over, DIAND requests that CanZinco Ltd. confirms that all sampling conducted to date was done according to requirements stated in the Closure and Reclamation Monitoring Plan for the reclamation stage. DIAND recommends that the NWB requests CanZinco Ltd. to submit any requests and documents well in advance of their intended implementation, with a suggested minimum of sixty days. Under the Nunavut Waters and Nunavut Surface Rights Tribunal Act (55.4) the NWB is required to advertise an application for thirty days plus the NWB requires additional time to review the amendments and submitted comments before reaching their final decision.

DIAND assumes the requested reduction in monitoring frequency is to apply only to water sampling as no other reduction in monitoring was requested. Should CanZinco Ltd. wish to extend the reduction in monitoring frequency to encompass geotechnical monitoring, the

request and appropriate data should be presented with an amendment application to the NWB.

On July 27, 2006, DIAND performed an inspection of the Nanisivik Mine Project. At that time, reclamation of the West Twin Tailings Area appeared to be complete, except for minor tailoring due to settling of the cover material but, with respect to the Nanisivik Mine Project as a whole, reclamation was not complete. Therefore, although the amendment applications are related to specific components of the Project, DIAND must consider both individual and collective aspects of the Project in recommending a transition from reclamation to closure status.

DIAND has been advised, via the September 8, 2006 letter from Environment Canada on the NWB ftp site, that the Nanisivik Mine received closed mine status under the MMER on July 30, 2006. Thus, as of July 30, 2006, monitoring of the Nanisivik Mine Project is no longer regulated by the MMER as well as the Licence; Part G, Item 9. CanZinco submitted the Plan to the NWB on July 6, 2004 which detailed the monitoring during reclamation and closure. The Plan has a sampling schedule during reclamation for SNP station 159-4 which requires daily monitoring of flow and field parameters plus weekly monitoring for chemical parameters. Under closure status for SNP site 159-4 (years one and two) the sampling schedule calls for weekly monitoring of flow and field parameters plus monitoring every two weeks for chemical parameters.

DIAND suggest the NWB requests CanZinco to confirm and verify the data submitted for SNP site 159-4 in its first amendment request. The data appears inconsistent for SO₄ between July 21 and July 27, 2005. DIAND suggest the CanZinco Ltd. be requested to make the data for the 2006 monitoring season available for reviewers.

In regards to the second amendment application, DIAND acknowledges that as of July 30, 2006, the Nanisivik Mine Project is exempted from further monitoring requirements of MMER as indicated by the letter provided to the NWB by Environment Canada on September 8, 2006. However, the monitoring requirements under the terms of the Licence remain. The Plan states that the reclamation period encompasses the period of active physical reclamation of the mine site and the completion of the major activities proposed in the Plan. DIAND's site inspection indicated that reclamation is incomplete. Thus, monitoring should continue as described under the Plan for the reclamation phase. Therefore, DIAND recommends that the monitoring frequency for all SNP stations continue under the frequency prescribed under the Plan for reclamation.

Should you have any questions or comments, please do not hesitate to contact me or Stephen Bathory at (867) 975-4548 or by email at BathoryS@ainc-ianc.gc.ca.

Sincerely,

Original Signed By

Jim Rogers
Manager Water Resources