

DUPLICATE OF THE ORIGINAL

LEASE

No. L-9195300
Dossier: 7703-971-2

THIS LEASE made in duplicate as of the 22nd day of March, 2001.

BETWEEN

HER MAJESTY THE QUEEN, in right of Canada, represented herein
By the Minister of Fisheries & Oceans ("Landlord")

OF THE ONE PART:

AND

NANISIVIK MINE- a division of CANZINCO LIMITED, city of
Toronto, Ontario, Canada

OF THE OTHER PART.

THIS LEASE WITNESSES that in consideration of the rests, covenants
and conditions hereinafter reserved and contained the Parties hereto covenant and agree as
follows:

DEFINITION

1. In this Lease, "Landlord" includes any person authorized by the Minister of Fisheries & Oceans to act
On his behalf.

PREMISES LEASED

2. The Landlord hereby demises and leases to the Tenant and the Tenant hereby leases from the Landlord, on and subject to the terms and conditions hereinafter set forth, all that real property (hereinafter called "Leased Premises") **MORE PARTICULARLY DESCRIBES AS FOLLOWS.**

30.36 ACRES, MORE OR LESS, OF LAND BEING IN GROUP 1639 ON Baffin Island, Strathcona Sound, Nunavut., together with the right and privilege to use in common with others, the west and east mooring dolphins, so-called, on lands of the lessor; to be used as a site for the lessee's building, tank farm, concentrate storage area, open air storage area and conveyor facilities for loading. (As outlined on Annex "A" attached hereto).

TERM OF LEASE

3. This Lease is for a term of eight years commencing on the 1st day of January 1996 and terminating
At 2400 on the 31st day of December 2003.

RENT

4. The Tenant shall, during the currency of this Lease, pay to the Honorable the Receiver General For Canada, in lawful money of Canada, in advance of each yearly rental period, the yearly rent or sum of

\$4077.00 per annum.

USE

5. The Leased Premises shall be used only for the purpose of various mining activities as more particularly described in article 2 and shall not be used for any other purposes whatsoever without the prior written consent of the Landlord.

PAYMENT OF RENT

6. The Tenant shall pay all rent herein reserved at the time and in the manner in this Lease set forth, without any abatement or deduction whatever.

PAYMENT OF TAXES

7. The Tenant shall pay or cause to be paid all rates, taxes and assessments, of whatsoever description, that may at any time during the existence of this Lease be lawfully imposed, and become due and payable, upon, or in respect of the Leased Premises, or any part thereof.

"AS IS" CONDITION

8. The Tenant accepts the Leased Premises in an "as is" condition.

GENERAL COVENANTS OF THE LANDLORD AND TENANT

9. (1) The Tenant covenants with the Landlord:
- (a) to pay rent; and
 - (b) to observe and perform the covenants of this Lease on the part of the Tenant to be Observed and performed.
- (2) The Landlord covenants with the Tenant:
- (a) for quiet enjoyment; and
 - (b) to observe and perform the covenants of this Lease on the part of the Landlord to be observed and performed.

NO RECOURSE AGAINST TITLE

10. Notwithstanding the provisions of subclause 9(1), the Tenant accepts this Lease upon the express condition that the Tenant shall have no recourse against the Landlord should the title to the leased Premises be found to be defective.

TENANT'S IMPROVEMENTS

11. The Tenant shall not make any improvements to the Leased Premises without the prior consent of the Landlord and any improvements made by the Tenant at any time during the currency of this Lease shall be at the risk, cost and expense of the Tenant and to the satisfaction of the Landlord.

VESTING OF STRUCTURES

12. Upon the termination of this Lease, whether by effluxion of time or in any other manner whatsoever, the Landlord shall have the right and option to require the Tenant, upon written notice, to remove any or all of the structures and fixtures affixed upon the Leased Premises by the Tenant, and the Tenant shall upon the receipt thereof promptly remove those structures and fixtures and restore the Leased Premises to their original condition as of the date of this Lease, all at the cost and expense of the Tenant and without any right on the part of the Tenant to seek compensation for any reason whatsoever.

DAMAGE TO TENANT'S IMPROVEMENTS

13. (1) Notwithstanding any other provision of the Lease, if any improvement made by the Tenant on the Leased Premises shall, at any time during the term hereby granted, be destroyed or so damaged as to render the Leased Premises unfit for use, due to causes beyond the control of the Tenant, the Tenant will then have a period of ninety (90) days after such damage or destruction within which to decide whether or not it will repair or replace the improvement.
- (2) If the Tenant decided not to repair or replace the improvement, either party to the lease may terminate this lease by notice, in writing, given to the other party within a thirty (30) day period immediately subsequent of the ninety (90) day period referred to in subsection (1) above; and in the event of such notice being given to the Landlord pursuant to this clause, the rent reserved to the Landlord under this Lease shall be due and payable up to the date of removal of the improvement and clearance and leveling of the Leased Premises to the satisfaction of the Landlord.

DESTRUCTION OF LEASED PREMISES

14. (1) Notwithstanding anything in the Lease contained, if the Leased Premises at any time becomes untenable, by reason or in consequence of any catastrophic cause beyond the Landlord's or the Tenant's control, this Lease may thereupon by notice in writing from either party given to the other party within thirty (30) days from the date that the Leased Premises so became untenable, be declared terminated from the happening of any such event.
- (2) If the lease is terminated pursuant to this clause the tenant shall be entitled to Reimbursement on a pro rata basis of any advance payment of rent.

COMPLIANCE WITH REGULATIONS

15. The Tenant shall in all respects abide by and comply with all applicable statutes, regulations, And by-laws, in any manner affecting the Leased Premises.

ASSIGNMENTS, TRANSFERS, SUBLEASES AND LICENCES

16. The Tenant shall not make any assignment of this Lease nor any transfer or sublease of the Whole or any part of the Leased Premises, nor grant any licence to use any part of the Leased Premises, without obtaining the prior consent in writing of the Landlord to such assignment, transfer, sublease or licence which consent the Landlord shall not unreasonably withhold.

ACCESS BY LANDLORD

17. The Tenant shall permit the Landlord, his servants or agents, full and free access to any and every part of the Leased Premises in order to view and inspect the state of repair.

MAINTENANCE AND REPAIR

18. (1) The Tenant shall at all times during the currency of this Lease, keep the Leased Premises in good repair and in a sanitary and reasonably clean condition, in all respects to the entire satisfaction of the Landlord and at the sole cost and expense of the Tenant.
- (2) The Tenant shall not, during the currency of this Lease, do, suffer or permit to be done any act or thing which may impair, damage or injure the Leased Premises or any part thereof beyond the damage occasioned by reasonable use, and shall, at the Tenant's own cost and expense, repair all portions of the Leased Premises which may at any time be damaged, fair wear and tear excepted.

NO CLAIM OR DEMAND AGAINST LANDLORD

19. The Tenant shall not have any claim or demand against Her Majesty the Queen in right of Canada or any of Her servants or agents for detriment, damage, injury or loss of any nature whatsoever or howsoever caused to the Leased Premises, or to any person or property including any buildings, structures, erections, motor or other vehicles, materials, supplies, articles, effects or things at any time brought, placed, made or being on or about the Leased Premises, unless such damage or injury is due to the negligence of any officer or servant of Her Majesty while acting within the scope of this duties or employment.

LIABILITY OF LANDLORD

20. The liability, if any, of the Landlord is subject of the provisions of the Crown Liability Act, R.S.C., 1985 c.C.-50 as amended from time to time.

INDEMNIFICATION OF LANDLORD

21. The Tenant shall at all times indemnify and save harmless Her Majesty the Queen in right of Canada from and against all claims and demands, loss costs, damages, actions, suits or other proceedings by whomsoever made, brought or prosecuted in any manner based upon, occasioned by or attributable to the execution of this Lease or any action taken or things done or maintained by virtue hereof, or the exercise in any manner of rights arising hereunder, except claims for damage resulting from the negligence of any officers or servants of Her Majesty while acting within the scope of their duties or employment.

RIGHT OF HER MAJESTY TO GRANT LICENCES

22. This Lease is granted strictly subject to the right of Her Majesty the Queen in right of Canada to grant licences, at any time during the currency of this Lease, covering the right and privilege or permission to construct, lay, maintain, operate and replace water mains sewers, gas pipelines, oil pipelines, underground and overhead transmissions, electrical lines and telephone lines, and cables on, under, over and across the Leased Premises and for Her Majesty, Her agents, servants, and contractors, with vehicles, equipment and machinery, to enter upon the Leased Premises at any time for the purposes of installing, maintaining and replacing aids to navigation without interference from the Tenant and the exercise of such right shall not be deemed to constitute an interference with the Tenant's exclusive possession of the Leased Premises or constitute a derogation from the Lease hereby granted, provided however that the granting of such rights and privileges and permissions shall not unreasonably interfere with the operations of the Lessee hereunder.

NUISANCE

23. The Tenant shall not do, suffer or permit to be done any act or thing upon or above the Leased Premises which is or would constitute a nuisance to the occupiers of any lands or premises adjoining or in the vicinity of the Leased Premises or to the public generally.

INSURANCE

24. (1) The Tenant at its sole cost and expense shall place and at all times maintain during the currency of this Lease, public liability and property damage insurance against claims for personal injury, death or damage to property arising out of any of the omissions of the Tenant or any of its agents, employees or servants; such insurance shall be with a company or companies acceptable to the landlord and all policies for such insurance shall be in an amount and in a form satisfactory to the Landlord.
- (2) The Tenant shall submit the policy referred to in subclause (1) or certified copies thereof and any renewals thereof to the landlord for review and approval together with proof of payment of the premiums therefor.

OVERHOLDING

24. If, after the expiration or termination of this Lease, the Tenant shall continue to occupy the Leased Premises, with or without the consent of the Landlord, but without execution of a new lease or renewed lease of the Leased Premises, the Tenant shall be a tenant at will at a monthly rent, for the time of such occupation, of one-twelfth of the annual rent payable immediately prior to overholding payable in advance on the day of each month, and subject in all other respects to the same terms as are herein set out, insofar as they are applicable to a tenancy at will, and upon the termination of the tenancy at will, any rental payments during the tenancy at will shall be considered as payments on account only and, in the event that this Lease is renewed by agreement between the parties or new lease of the premises herein demised is entered into by the

parties, an adjustment shall be made upon the signature of a new or renewed lease to bring the amount paid in respect of the period of the tenancy at will into accord with the provisions of the new or renewed lease, it being expressly agreed that the acceptance of rent, or any implied condition, or any implication of law, shall in no way renew this Lease or create any tenancy other than a tenancy at will.

DEFAULT AND RE-ENTRY

26. (1) It is expressly agreed that
- (a) if the Tenant be in default in the payment of rent or amounts collectable hereunder as rent, whether lawfully demanded or not, and such default shall continue for a period of 15 days after the rent has become due and payable; or
 - (b) if the Tenant shall be in default of any of its covenants or agreement hereunder (other than its covenant to pay rent or amounts collectable hereunder as rent) and such default shall continue for a period of 30 days (or such default considering the nature thereof) after notice by the Landlord to the Tenant specifying with reasonable particularity the nature of such default and requiring the same to be remedied; or
 - (c) if the default set out in the notice given to the Tenant by the Landlord pursuant to paragraph (b) reasonably requires more time to cure than the thirty (30) day period or, in the opinion of the Landlord fails to diligently complete the same within a reasonable time; or
 - (d) if the Tenant shall make an assignment for the benefit of creditors, or shall make an assignment or have a receiving order made against it under the Bankruptcy Act, or becoming bankrupt or insolvent shall make application for relief under the provisions of any statute now or hereafter in force concerning bankrupt or insolvent debtors, or any action whatsoever, legislative or otherwise shall be taken with a view to the winding-up, dissolution or liquidation of the Tenant;

then the current month's rent together with the rent for the three months next ensuing shall immediately become due and payable, and at the option of the Landlord the term hereby granted shall become forfeited and void, and the Landlord may without notice or any form of legal process whatsoever forthwith re-enter upon the Leased Premises or any part thereof in the name of the whole and repossess and enjoy the same as of its former estate, anything contained in any statute or law to the contrary notwithstanding.

- (2) Forfeiture of this Lease by the Tenant shall be wholly without prejudice to the right of the Landlord to recover arrears of rent or damages for any antecedent breach of covenant on the part of the Tenant, and notwithstanding any such forfeiture the Landlord may subsequently recover from the Tenant damages for loss of rent suffered by reason of the lease having been determined prior to the end of the term of this Lease as set out in clause 3 hereof and this clause and the rights hereunder shall survive the termination of this Lease whether by act of the parties or by operation of Law.

NON-WAIVER

29. No condoning, excusing or overlooking by the Landlord of any default, breach or non-Observance by the Tenant at any time or times in respect of any covenant, or condition of this herein contained shall operate as a waiver of the Landlord's rights hereunder in respect of any continuing or subsequent default, breach or non-observance, or so as to defeat or affect in any way the rights of the Landlord in respect of any continuing or subsequent default or breach, and no waiver shall be inferred from or implied by anything done or omitted by the Landlord save only express waiver in writing. All rights and remedies of the Landlord contained in this Lease shall be cumulative and not alternative.

EFFECTS OF LEASE

30. This Lease and every thing herein contained shall operate and take effect to the benefit of and be binding upon the heirs, executors, administrators, successors and lawful assigns, as the case may be, of each of the parties hereto, subject to the granting of consent by the Landlord as provided herein to any assignment, transfer or sublease of this lease and where there is a male, female or corporate party, the provisions hereof shall be read with all grammatical changes to gender and number required by the context and all covenants and obligations shall be deemed joint and several and the invalidity of any clause for any reason whatsoever shall not invalidate of any clause for any reason whatsoever shall not invalidate any other clause of this Lease.

REMEDIES GENERALLY

31. Mention in this Lease of any particular of the Landlord in respect of the default by the Tenant does not preclude the Landlord from any other remedy in respect thereof, whether available at law or in equity or by statute or expressly provided for this Lease.

HEADINGS

32. Any note appearing as a heading in this Lease has been inserted for convenience and reference Only and cannot define, limit or expand the scope or meaning of this Lease or any of its provisions.

NOTICES

33. (1) All notices and communications to the Landlord in connection with this Lease shall be addressed to:

**Canadian Coast Guard
Central & Arctic Region
Marine Programs
201 North Front Street. Suite 703
Sarnia, Ontario (Canada)
N7O 8B1**

Or such other address as the Landlord may advise the Tenant in writing.

- (2) All notice and communications to the Tenant in connection with this Lease shall be Addressed to:

NANISIVIK MINE- a division of CANZINCO LIMITED
95 Wellington St. W. Suite 2000
Toronto, (Ontario)
M5J 2N7

Or such other address as the Tenant may advise the Landlord in writing.

- (3) Any notice given to either party hereto shall be effectively given if sent by letter, Telegram, fax or telex addressed to the party at its address as indicated above. Any notice so given shall be deemed to have been received by the other party at the time when in the ordinary course such letter, telegram or telex should have reached its destination.

END OF TERM

34. Upon the expiration or other termination of the term of this Lease, the Tenant shall quit and Surrender to the Landlord the Leased Premises, in good order and condition, reasonable use excepted. The Tenant's obligation to observe or perform this covenant shall survive the expiration or other termination of the term of this Lease. If the last day of the term of this Lease falls on Sunday, this Lease shall expire on the business day immediately preceding.

RENEWAL AND TERMINATION

35. If, at the expiration of the term of this lease, the Tenant shall desire a renewal of this lease for a further term of five (5) years, or any lesser term, the Tenant shall at least six (6) months before such expiration give notice in writing of such desire to the Landlord and if all rent or other sums or charges due or payable by virtue of this lease have been fully paid and the Tenant has, on its part, observed and performed all the covenants, conditions and reservations contained in this lease, the Landlord shall grant to the Tenant a renewal or extension of this Lease for a further terms not exceeding five (5) years, as may be stipulated by the Tenant in such notice and in like manner, at the expiration of such second term for a third term of five (5) years, subject to the covenants, conditions and reservations herein contained, except however, that the rental to be paid during such renewal period(s) may be fixed and determined by the Minister at the time of such renewal(s) at any greater or other rate than herein reserved (based on the policies of the Landlord applicable thereto then in effect) and that such (last mentioned) renewed Lease shall not contain any provision or clause for further or other renewal; and the tenant hereby covenants and agrees that such revised rental shall be due and payable effective as of the beginning of the term of (each) renewal of this Lease and that any rental payment made after the expiration of any renewal thereof, in an amount or after the expiration of any renewal thereof, in an amount other than the revised amount fixed and determined pursuant to this clauses the rental payable during such renewal term shall be conditional instalmentpayment only, and shall be subject to adjustment after the rental for such renewal has been so fixed and determined retroactive to the first day of such renewal.

- (2) The tenant shall have the right to terminate the lease upon one (1) year notice.

PROVISION SEPARATELY VALID

36. If any covenant, obligation, agreement, term or condition of this Lease or the application thereof to any person or circumstances shall, to any extent, be invalid or unenforceable, the remainder of this Lease or the application of such covenant, obligation, agreement, term or condition to persons or circumstances other than those in respect of which it is held invalid or unenforceable, shall not be effected thereby and each covenant, obligation, agreement, term and condition of the Lease shall be separately valid and enforceable to the fullest extent permitted by law.

MEMBERS OF THE HOUSE OF COMMONS

37. No Member of the House of Commons shall be admitted to any share or part of the Lease, or To any benefit to arise therefrom.
38. That the Tenant hereby acknowledges that the aforementioned Plan No. B6 dated September 23, 1975, does not constitute a proper legal survey plan of the area therein described and hereby releases the Landlord from any actions causes of action, claims, loss, costs, expenses, damages, liability, awards and proceedings of any kind and nature whatsoever by whomsoever made or brought which the Landlord shall become legally liable to pay arising out of the location of the said land, the acreage contained therein or the aforementioned Plan, hereto annexed.
39. That the said installation shall be so installed as to minimize water and land pollution hazards, All to the satisfaction of the Landlord, by:
- (1) ensuring that they are not located within one hundred (100) feet of the Ordinary High Water Mark of any stream, lake or other body of water, except as may be approved by the Landlord; and
 - (2) ensuring that all areas of fuel storage are clearly marked or visible to vehicular traffic in all conditions of snow cover, weather or light.
40. That the Tenant shall not interfere with the public use of the said dolphins and the Tenant shall Grant ingress, egress and regress over the said land at all reasonable times to the east Mooring Dolphin, so-called, for the Landlord, Her officers, servants, employees and nominees, and the public generally, for the purposes of using and maintaining the said East Mooring Dolphin, all to the satisfaction of the Landlord.
41. The Tenant acknowledges that there are no covenants, representations, warranties, agreements

or conditions expressed or implied, collateral or otherwise forming part of or in any way affecting or relating to this Lease save as expressly set out in this Lease and that this Lease constitutes the entire agreement between the Landlord and the Tenant and may not be modified except as herein explicitly provided or except by subsequent agreement in writing of equal formality executed by the Landlord and the Tenant.

IN WITNESS WHEREOF the parties hereto have executed these presents the day and year first above written.

EXECUTED ON BEHALF of the
Landlord in the presence of

Witness

for and on behalf of Her Majesty the
Queen in right of Canada by or upon
the direction of the Minister of
Fisheries and Oceans pursuant to
Section 12 of the Department of
Transport Act.

The Corporate Seal of **NANISIVIK
MINE- a division of CANZINCO
LIMITED**. Is affixed hereto in the
presence of its proper officers duly
authorized in the behalf

(Corporate Seal)

or – when the Tenant is not a
corporation

EXECUTED
By the Tenant in the presence of

Signature of Tenant

NO. L-9195300
NO

DEPARTMENT OF FISHERIES AND OCEANS
DEPARTEMENT DE PECHEs ET OCEANS

LEASE
BETWEEN

HER MAJESTY THE QUEEN, represented Department of Fisheries and Oceans

AND

NANISIVIK MINE- a division of CANZINCO LIMITED

AUTHORITY: Article 16(1) of Public Harbours and Port Facilities Act.

EFFECTIVE DATE: 1st day of January 1996

PLACE; Nanisivik

DESCRIPTION To be used as a site (30, 36 Acres) for the lessee,s building,tank farm,
concentrate storage area, open air storage, area and conveyor facilities for loading.

DEPARTMENTAL REFERENCE
REFERENCE DU MINISTERE

FILE NO. 7703-971-2
DOSSIER NO

1

MEMORANDA
NOTES