

March 5, 2009.

via email

Phyllis Beaulieu
Manager of Licensing
Nunavut Water Board
P.O. Box 119
Gjoa Haven, NU X0E 1J0

Subject: Water License Renewal – Reaching Closure on Key Issues

Dear Phyllis,

CanZinco Ltd. has reviewed the correspondence received from Environment Canada (EC), Indian and Northern Affairs Canada (INAC) and the Government of Nunavut, Department of Environment (DOE), in relation to the letter from Jacques Whitford Stantec Limited, dated February 19, 2009, that was read into evidence at the recent Hearing as Exhibit 4.

In formulating our response, we have endeavoured to objectively consider the recommendations made by the participating agencies and are now providing comments that will hopefully address these.

Key Issues

Five Year Term – CanZinco understands that all parties anticipate an annual review of water quality data and is confident that if the results demonstrate stability during the term of the License, there will be sufficient basis to allow termination of the post-closure monitoring program. However, we also recognize that if conditions are not demonstrably stable, it may be necessary to extend monitoring beyond the five year term. We reiterate our request for the Board to incorporate discretionary flexibility into the License so that they may approve modifications to the SNP where it has been demonstrated to be merited.

Parameters to Monitor – CanZinco finds the requests for additional monitoring parameters to be reasonable and therefore agrees to add a trace element scan (to our previously submitted proposal) at Stations 159-4, 159-6 and 159-17 twice annually.

Total Petroleum Hydrocarbons – In light of comments put forward by INAC, EC and DFO, CanZinco is prepared to add TPH analyses (to our previously submitted proposal) for Station NML-30. This analysis would be done in addition to a visual inspection for sheens at all sampling location on each sampling date. CanZinco would point out that water flow in this area is largely “melt driven” and

historically there is often no surface runoff when “the soil active layer is at its deepest in August or September”. Therefore, like all stations, sampling should be performed “during the period of flow”.

Final Discharge Points – CanZinco agrees that Station 159-4 could continue to be monitored against the current License compliance criteria. Our consultants Jacques Whitford Stantec Limited have undertaken a review of historical data collected at Stations 159-6 and 159-17 since 1996 for cadmium, lead and zinc (the only metals for which there are sufficient data) in order to propose “trigger” levels. The data are not normally distributed, making parametric statistics unreliable. They have suggested that trigger values could be based on the 95th percentiles of the observed ranges as percentiles are distribution-free. However, it needs to be recognized that, on average, one sample in 20 will randomly exceed the 95th percentile value. Therefore, to distinguish a change in conditions from natural variability, it is proposed that an investigation would be triggered if two consecutive samples exceeded this trigger value. Details regarding the nature of the investigation will be provided in the updated contingency plan (see below).

Landfill Monitoring Station – EC and DOE ask why the proposed landfill monitoring station has changed from NML-30 to NML-29. CanZinco regrets that the confusion was caused by a typographical error in Table 3 of the January 30, 2009 submission, which was repeated undetected in the revised February 19, 2009 submission. We would like to clarify that the landfill straddles two watersheds (the landfill is on the side of a small “saddle”, facing the former STOL airstrip). Only a very small portion of the landfill is located such that runoff (and any potential leachate) reports to NML-29, while the majority reports to NML-30. The sampling station at NML-29 has been dry historically, whereas the sampling station at NML-30 conveys the spring runoff from the landfill. Therefore, Station NML-30 is the recommended location for landfill monitoring.

Contingency Plans – INAC requests a contingency plan with “trigger” or contingency levels identified for at least metals. EC would like an updated, consolidated and concise document that addresses contingency planning for water quality and geotechnical monitoring. Thresholds should be site specific. DOE would also like a stand alone document based on (but updated from) the Appendices in the 2004 Reclamation and Closure Plan.

CanZinco is prepared to provide an updated and consolidated contingency plan within 3 months of the new License being issued.

Reclamation of Tank Farm – INAC requests a reclamation plan for the tank farm.

CanZinco is committed to providing a reclamation plan for the fuel tank farm for approval by the NWB by September 30, 2009.

Closing

As stated at the Public Hearing in Arctic Bay on February 23, we recognize the importance of the interventions as part of the License renewal and believe these have added value in helping us meet

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the objectives of the Nanisivik Closure Plan. In keeping with this, we trust that our comments herein will be helpful to the Board as you complete your evaluation of information and make the final determinations on the License renewal.

Yours sincerely,

CANZINCO LTD.

A handwritten signature in black ink, appearing to read "R. Carreau", with a large, stylized loop at the beginning.

Robert Carreau,
Vice President, CanZinco Ltd.