

NANISIVIK MINE Phone: (867) 436 - 7544

A division of CanZinco Ltd. Fax: (867) 436 -7376

P.O. Box 225

Nanisivik, NU

X0A 0X0

August 31, 2006

Mr. Phillipe diPizzo

Executive Director – Nunavut Water Board

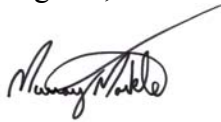
P.O. Box 119

Gjoa Haven, NU

X0B 1J0

Please accept the attached submission as the second quarter 2006 reclamation update in accordance with the terms and conditions outlined in the Nunavut Water board approval letter dated July 6th, 2004. If further information is required please do not hesitate to contact me.

Regards,

A handwritten signature in black ink, appearing to read 'Murray Markle', with a long, sweeping horizontal stroke extending from the end of the signature.

Murray Markle

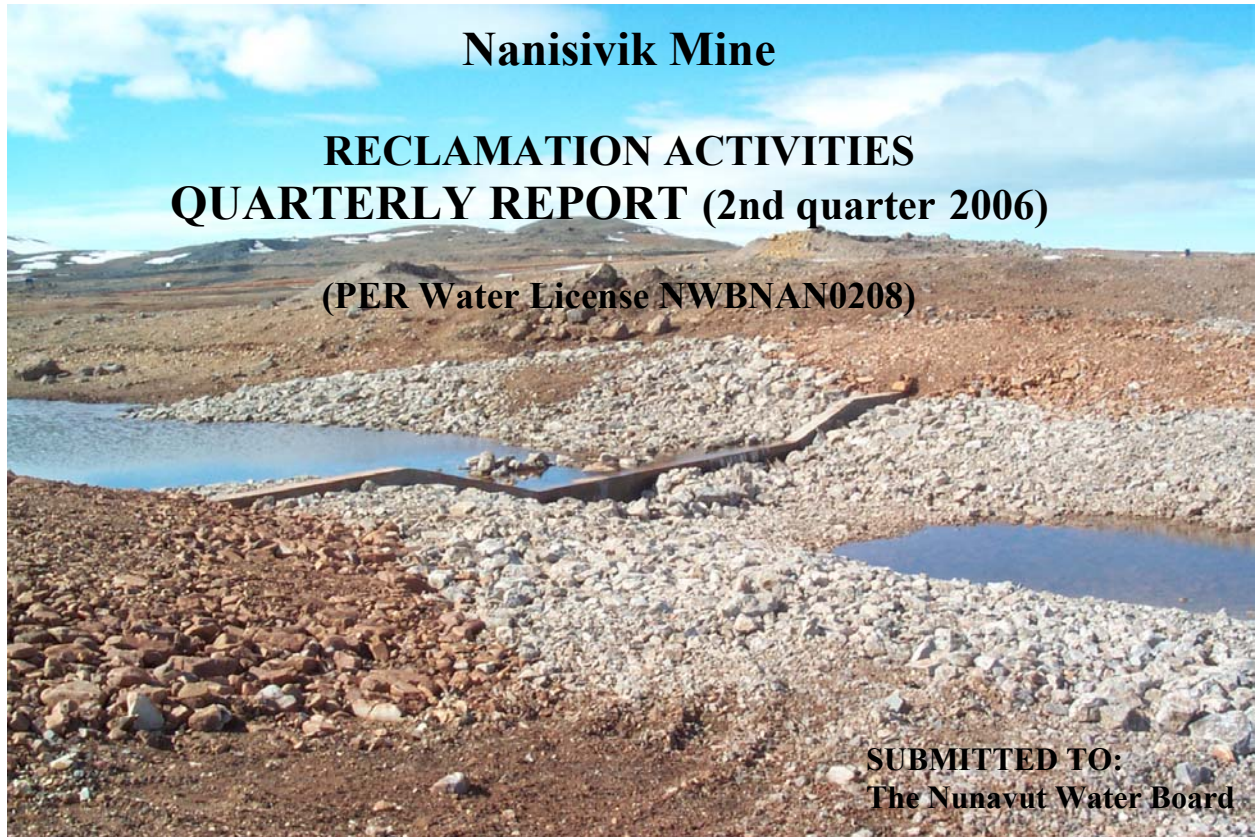
Site Manager

Phone: 867-436-7544

email: mmarkle@nu.breakwater.ca

c.c. R. Carreau

File



Nanisivik Mine

RECLAMATION ACTIVITIES QUARTERLY REPORT (2nd quarter 2006)

(PER Water License NWBNAN0208)

**SUBMITTED TO:
The Nunavut Water Board**

1.0 INTRODUCTION

The Nanisivik Mine is located on northern Baffin Island in the Nunavut Territory. It is an underground zinc-lead mine owned by CanZinco Ltd. and was in continuous operation from 1976 to 2002 when it ceased production permanently.

CanZinco Ltd. was issued Water License **NWB2NAN0208**, by the Nunavut Water Board (NWB) on October 1, 2002 for the Closure and Reclamation of the Nanisivik project. A requirement of the License, under *Part G, Items 3 to 9*, was to submit a final Reclamation and Closure Plan to the NWB, which was approved by letter on July 6, 2004 ("Approval Letter").

Condition 2 of the Approval Letter states the following:

The Licensee shall, during the Reclamation Period, provide the NWB for its review, Quarterly Reclamation Reports ("Quarterly Reports"), which are to be submitted not later than 45 days after the end of the quarter (i.e., February 14, May 14, August 14, and November 14). The quarterly reports shall include, but not be limited to: a summary of remediation work completed to date; expenditures to date; documentation regarding waste disposal, including volumes and final location; and a revised implementation schedule, as referred to in Item 2 of this Letter of Approval. It is recommended that the Licensee should submit, with the Quarterly Reports, the effluent monitoring requirements as noted in Part H, Item 30 of the Licence.

The information contained herein is submitted as the Quarterly Report covering the months of April through June 2006. The reclamation activities at Nanisivik during this period included the following:

- Building demolition;
- Waste disposal;
- Thermal Cover Construction
- Contaminated Soil Haulage
- West Twin Reservoir Island removal

2.0 REMEDIATION WORK

2.1 Building Demolition

Vendetti Construction, (the contractor for Wolfden Resources) continued dismantling the mill building during the 2nd quarter. By the end of June, all that remained was the Powerhouse section, which was still in use.

Work also took place at the concentrate shed at the Nanisivik dock. The exterior cladding was removed from the walls and the removal of the roof cladding was underway by the end of the quarter.

The town complex saw periodic demolition work throughout the quarter. Work took place here when it was too stormy to safely carry out work at the industrial complex or concentrate shed.

2.3 Waste disposal

A total of 430 cubic metres of demolition debris and 360 cubic metres of contaminated soil were disposed of in the mine during the quarter. The waste disposal summary is tabled below.

Waste Origin	Class	Volume (m3)	Storage Location
Concentrate Shed	DD1	80	Ore Pass Area
Industrial complex	DD1	120	10 & 11 Block
Govt. Building	DD1	230	10 & 11 Block
Dock Tank Farm	S1	360	NZ-9 Area

2.4 Earth Moving

The shale cover for the West Open Pit was in progress last fall while the weather permitted. Work on the cover resumed in May and was complete by the end of June. Approximately 23,000 cubic metres of shale were placed during the quarter. This volume was determined by truck count. Armoring of the West Pit will take place later in the 3rd quarter.

The excavation of hydrocarbon-contaminated soil around the tank farm pump house began late in the quarter. The volume removed is shown in the above table.

2.5 West Twin Reservoir

There were several tailings islands that appeared in the reservoir when the water level was lowered to facilitate work along the shoreline. An attempt was made last fall to drill and blast the high points, but was unsuccessful. The islands were then hosed down during freeze up, to create an ice barrier and prevent windblown tailings. We tackled the problem again this spring by setting up a high-pressure pump and hosing the mounds of tailings into the surrounding water while the reservoir level was still well below the final design elevation. This work will continue into the 3rd quarter. A high volume pump will be used to keep the reservoir level low while we complete the task.

3.0 EFFLUENT MONITORING

During the period of April 1st to June 30th, 2006 there were no effluent releases or discharges at Nanisivik Mine from either of the identified final deposition points or other points resulting from accidents or spills. The West Twin Reservoir level was low prior to the freshet, so there was no need for release during the quarter. Effluent will be released during the first few weeks of July while we are pumping down the reservoir.

The volume of potable water pumped from East Twin Lake during the quarter was approximately 12,000 cubic metres. The daily average during this period was 130 cubes.

5.0 SCHEDULE:

5.1 Reclamation schedule update

- It has been determined that the reclamation of the mine site will continue into 2007. This is largely due to the amount of salvage work that is taking place at site, which prevents a full-scale attack on the removal of contaminated soils. The long haul from the dock area to underground, along with an aging fleet of heavy equipment is also providing challenges that make scheduling more difficult.
- The current schedule is shown in appendix A

6.0 COST SUMMARY:

The total expenditures for the project during the 2nd quarter came to \$184,224.72. This brings the total cost so far to \$15,187,791.94.

7.0 PHOTOS:

- Industrial Complex
- Government building
- Concentrate Shed
- Tailings Island removal



Dismantling Progress at the Industrial Complex



Shale cover for the West Open Pit nearing completion



Concentrate Shed with portions of the exterior cladding removed



Tailings Island Removal

[illegible]

Updated Schedule

[illegible]