

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 July through September 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
- Site Clean Up

2.1 Building Demolition

Industrial Complex:

The powerhouse section of the industrial complex was taken off line in early August. By the end of the quarter, most of the equipment and all of the generators were salvaged from the building. 700 cubic metres of demolition debris were hauled underground during the period. Crews were starting to dismantle the control room at the end of September. The dismantling of the structure is scheduled to take place during the 4th Quarter.



Compressor House:

The compressor house was dismantled during the quarter. This is a foldaway building that will be reused by Wolfden Resources at their High Lake Property.

Concentrate Shed:

The exterior cladding was completely removed and hauled underground during the 3rd quarter. Frame dismantling was still in progress at the end of September with eighteen of the 38 frames removed. Approximately 200 cubic metres of demolition debris were hauled underground during the dismantling process.



Town Complex

During the latter part of the quarter, a small crew worked on preparing the government complex for structural dismantling. The interior of the central part of the building, including the upper floor of the school, the Northern Store, Library and Post Office were completely gutted. Approximately 300 cubic metres of demolition debris was hauled underground and an additional 400 m3 have been stockpiled adjacent to the structure for haulage during the 4th quarter.



Town site houses:

One house was removed during the quarter. This house was taken apart using just a loader/forklift in order to remove whole sections of walls and salvage as much wood as possible for use as crating material.



2.3 Waste disposal

A total of 1250 cubic metres of demolition debris and 18540 cubic metres of contaminated soil were disposed of during the quarter. The waste disposal summary is tabled below.

Waste Origin	Class	Volume (m3)	Storage Location			
Concentrate Shed	DD1	200	Ore Pass Area			
Industrial complex	DD1	700	9 South Portal Area			
Govt. Building	DD1	300	10 & 11 Block			
Town Site Houses	DD1	50	9 South Portal Area			
Dock Tank Farm	S1	10840	NZ-9 Area			
Center Dock Cell	S1/S2	1220	NZ9-Area			
Concentrate Shed	S2	6480	Mill foundation			

2.4 Earth Moving

West Open Pit:

The sand and gravel armor for the West Open Pit was completed during the 3rd quarter. A total of 8000 cubic metres were hauled. The area to the South of the road in front of the pit was also covered. This area previously contained a waste rock pile that was placed into the pit in 2005. A half metre of shale was place here as well as a 0.3 metre layer of armor rock.



Chris Creek Crossing at K-Baseline

Natural drainage was restored in this area by utilizing the Dozer to rip and push the former roadway down to original ground. The large culvert was then removed and hauled underground. Another culvert between this crossing and the East open pit was also dug out at this time.



East Open Pit Area

The thermal cover at the East open Pit and associated waste piles was completed in 2005 except for the armoring of a small deflection berm at the toe of the cover. This armoring was completed in September 2006. We left the East Adit treatment facility in place throughout the summer, while we monitored the performance of the cover and the water quality in the area. The generator, pumps and piping were removed at the end of the quarter and the dykes breached and re-contoured. Sampling of the pond sediments indicate that most of this material meets the soil quality remediation objective.



Area 14

A minor amount of work left over from 2005 was completed in August. This included spreading previously hauled armor rock over the shale cover at the portal area, and at the ventilation raise. Re-contouring of the shale piles along the roadway near the headwaters of Chris Creek was also completed in order to prevent ponding and to promote drainage.

West Twin Lake Area

A minor amount of work took place here as well during the quarter. The baffle and temporary roadway across the reservoir was breached to allow flow through to the polishing pond. The sediments that were excavated from the polishing pond and hauled to the reservoir shoreline in 2005 were leveled off. It was originally thought that this material may have high metal values, but a sampling campaign of the piles proved otherwise. Riprap placement at the shoreline of the test cell outlet and the spillway was also completed during the quarter. Some of the shoreline touchups around the reservoir (additional riprap etc.) were completed, but one area near the toe of the West Twin Dyke will require a general beefing up in 2007. Tailings island removal that was in progress at the end of the 2nd quarter was completed during the 3rd quarter. A portable pump was used to hose the mounds of tailings into the surrounding water. The reservoir level was kept low by using a high volume pump to discharge water into the polishing pond for while the task was completed.



Concentrate Shed

Metal contaminated soil along both sides of the building was excavated and hauled to the mill foundation during the quarter. A total of 6480 cubic metres were removed.

Tank Farm Pump House

The excavation of hydrocarbon-contaminated soil around the tank farm pump house continued for most of the summer with approximately 11,000 cubic metres hauled to the mine. The pump house itself was left in place for use during the winter and contaminated soil remains in place in the immediate area. A lined berm separating the contaminated area from the clean area was constructed to prevent migration of contaminants. This area will be excavated in 2007.



Center Dock Cell

Excavation of the center dock cell began at the end of the quarter. Preliminary results indicate that the volume of contaminated material is less than the original estimate. The plan is to complete the excavation in the 4^{th} quarter, perform confirmatory sampling and then backfill the cell to prevent structural damage by the tidal action of the ice. Approximately 800 cubic metres of soil were hauled underground from this location.



3.0 EFFLUENT MONITORING

Effluent was released from the final discharge point 159-4 from July 3rd to July 20th. The results from the monitoring at the final discharge point are shown in the following table, as required under Part H, Item 30 of our water license nwb1nan0208.

Station 159-4 - Effluent from West Twin Reservoir														
Date	Temp.	pН	Cond.	T.S.S.	S04	Cd total	Pb total	As total	Cu Total	Ni Total	Rad 226	Zn total	NH3	Flow
	(oC)		(mS)	(mg/L)	On Site	(mg/L)	(mg/L)	(mg/L)	(mg/L)	(mg/L)	(Bq/L)	(mg/L)	(mg/L)	m3/Day
3-Jul	9.40	3.57	4.90	4.2	200.0	0.0001	0.003	<0.001	0.002			0.04	0.44	27564
4-Jul	7.30	5.64	6.50	6.0	520.0	0.0002	0.005	<0.001	0.003			0.13	0.76	32687
5-Jul	5.30	4.39	6.42	2.8	470.0	0.0002	0.004	<0.001	0.003			0.15	0.80	31789
6-Jul	5.20	4.76	6.54	2.4	530.0	0.0002	0.004	<0.001	0.003			0.15	0.80	29456
7-Jul	9.30	5.01	7.01	0.4	500.0	0.0004	0.003	<0.001	0.003			0.15	0.79	30154
8-Jul	9.20	7.48	1.33	2.0	530.0	0.0002	0.003	<0.001	0.002	0.007	<0.02	0.14	0.83	31683
9-Jul	12.00	7.40	1.24	1.8	560.0	0.0002	0.003	<0.001	0.002			0.14	0.77	26495
10-Jul	12.00	7.41	1.29	1.4	360.0	0.0004	0.003	<0.001	0.004			0.15	0.75	27712
11-Jul	12.70	7.25	1.27	1.6	280.0	0.0006	0.002	<0.001	0.003			0.14	0.73	32456
12-Jul	11.10	7.52	1.24	1.6	470.0	0.0002	0.002	<0.001	0.002			0.14	0.72	31113
13-Jul	14.40	7.59	1.23	2.6	320.0	0.0003	0.002	<0.001	0.003			0.13	0.71	27906
14-Jul	14.90	7.37	1.31	1.6	540.0	0.0004	0.001	<0.001	0.003			0.12	0.69	29882
15-Jul	11.90	7.59	1.32	2.8	460.0	0.0002	0.001	<0.001	0.002	0.007	<0.02	0.11	0.72	24987
16-Jul	12.50	7.6	1.31	2.4	390.0	0.0003	0.001	<0.001	0.002			0.11	0.69	15984
17-Jul	13.10	7.6	1.29	2.0	320.0	0.0004	0.001	<0.001	0.002			0.11	0.66	23156
18-Jul	11.70	7.36	1.24	1.0	520.0	0.0004	0.002	<0.001	0.002			0.12	0.63	28643
19-Jul	11.30	7.50	1.22	1.0	290.0	0.0004	0.002	<0.001	0.002			0.12	0.63	29861
20-Jul	12.70	7.63	1.22	0.8	420.0	0.0003	0.002	<0.001	0.002	0.007	<0.02	0.12	0.63	11056
Mass L	oading (l	(g)		1078	211857	0.14812	1.25532	0	1.25492	3.44809	0	62.8779	351.92	492584

The volume of potable water pumped from East Twin Lake during the quarter was approximately 12,000 m³. The daily average during this period was 130 m³.

5.0 SCHEDULE:

5.1 Reclamation schedule update

• Our aim is to complete the reclamation of the Nanisivik mine site by the fall of 2007. The current schedule is shown in appendix A

6.0 COST SUMMARY:

The total expenditures for the project during the 3rd quarter came to \$377,307.19. This brings the total cost so far to \$15,565,099.13.