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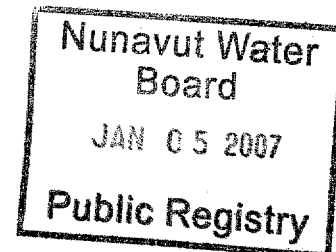
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December 15, 2006

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**Re: 1AR-NAN – CanZinco Limited - Nanisivik Mine - Reclamation Activities  
Quarterly Report (3rd Quarter 2006)**

Indian and Northern Affairs Canada (INAC) has reviewed the Reclamation Activities Quarterly Report (3rd Quarter 2006) submitted by CanZinco Limited. The report is submitted to satisfy its water licence requirements (Condition # 2 of water license 1AR-NAN0208).

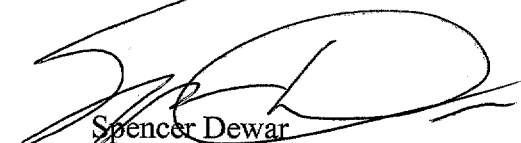
INAC makes the following recommendations and comments to the Nunavut Water Board on the submitted Reclamation Activities Quarterly Report (3rd Quarter 2006):

- a. There are no records of regulated materials being either handled or shipped offsite for disposal such as free-phase liquids and batteries. INAC recommends CanZinco Limited provide whether any waste liquids or materials were shipped south for disposal (i.e. during of the remediation of the Tank Farm).
- b. A large volume (18,540 m<sup>3</sup>) of contaminated soil was excavated during the last quarter. INAC understands that the soils were excavated at the Concentrate Shed, Tank Farm and the Centre Dock Cell. INAC recommends CanZinco Limited provide verification that confirmatory soil sampling was conducted by a third party environmental consultant during the remediation activities at the site.

- c. INAC notes that the 2004 Nanisivik Mine Reclamation and Closure Plan submitted by the CanZinco Limited commits to the confirmatory sampling of soils, the plan states that the objective of remediation will be to capture at least 95 % of contaminated soils in each remediation area (Confirmatory sampling of soils – pages 82 and 166 of the Closure Plan). INAC recommends CanZinco Limited verify whether any segregation and screening of contaminated soils has or is occurring at the site.
- d. INAC recommends CanZinco Limited provide photographs of waste materials being placed underground.
- e. 6,480 m3 of metal contaminated soil was excavated from the Concentrate Shed and hauled to the mill foundation. INAC assumes that this material will eventually be hauled underground.
- f. Sampling of the pond sediments in the East Open Pit Area indicate that most of this material meets the soil quality remediation objective. INAC recommends CanZinco Limited provide an explanation of what is meant by “most” of this material meets the soil quality remediation objective.
- g. Sediments were excavated from the polishing pond and that sampling indicated that metal concentrations were lower than anticipated. INAC recommends that CanZinco Ltd provide available documentation for review.
- h. A half meter of shale and 0.3 m layer of amour rock have been placed in the West Open Pit as a cover. INAC recommends CanZinco Limited provide additional details as to why a 0.8 m cover was used for this area. The cover may not be thick enough for thermal insulation.
- i. INAC recommends that CanZinco Limited confirm that oil and grease sheens at the discharge point were visually inspected during July, 2006.

If you have any questions or concerns please fell free to contact me at (867)975-4280.

Sincerely,

  
Spencer Dewar  
Manager, Land Administration

cc INAC - Water Resources  
RMO - Baffin  
WRO - Baffin  
District Manager