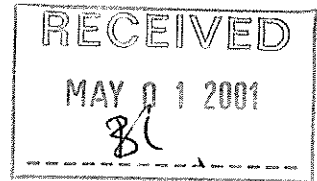


**CANADIAN ZINC**
CORPORATION

May 1, 2001

Hon. Robert Nault, P.C., M.P.
Minister of Indian Affairs and Northern Development
10 Wellington Street, North Tower
Ottawa, Quebec
K1A 0H4

By fax: 1-613-996-1759

Dear Minister Nault:

Re: Land Use Permitting Problems in the Mackenzie Valley, NWT – The Prairie Creek Mine

Land use permits for basic mineral exploration drilling, as well as other fundamental exploration activity, are being delayed for periods in excess of nine months due to the inability of the Mackenzie Valley Land and Water Board and Environmental Impact Review Board to function effectively and efficiently under the provisions of the Mackenzie Valley Resource Management Act.

This situation has been created through misapplication of the provisions of the MVRMA, effectively allowing a single government body to unduly delay the process, through referral of the application to a prolonged Environmental Assessment, without substantive justification, without due consideration of the positions of other federal and territorial regulatory authorities and, apparently, without accountability. Such actions appear at face value to be purely obstructive, as opposed to fulfilling the stated objectives of the MVRMA for "protection of the environment from significant adverse effects, and for protection of the social, cultural and economic well being of residents and communities in the Mackenzie Valley."

Similarly, any expression of "public concern" appears of itself to be sufficient cause for the Land and Water Board itself to justify referral, again without any question as to the substantive nature of such concerns.

Surely this was not what was intended when the legislation was drafted.

Any request for referral should be based on valid and sound rationale. This has not been the case, and referrals are made summarily without due consideration. Where referred, the subsequent EA should reflect the complexity of the application. This also has not been the case, with even the simplest of applications being subjected to a nine month review process.

The permitting process in the Mackenzie Valley is broken, it is being abused and it needs to be fixed.

Minister Nault, we would ask that you direct your senior officials to investigate this situation closely with a goal to repair what is obviously a seriously flawed process. We appreciate that the Mackenzie Valley process is only just over one year old and is on a learning curve, however this education cannot be at industry's expense.

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Our industry cannot function in a climate where every activity requiring a permit, no matter how minor or how standard a practice, may be subjected to a nine month review process.

Canadian Zinc is a publicly traded company on the TSE and the Company cannot attract either foreign or domestic investment if we cannot perform the necessary work in a timely and orderly fashion. Others have been and will continue to be affected similarly and unless changes are made investment dollars will flow elsewhere.

As discussed further in the attached Backgrounder, much of our difficulty appears to stem directly from the implementation of a Parks Canada operating policy with respect to opposing all development within the watershed of a Park. As you may be aware, the Prairie Creek Mine is located in the watershed of the South Nahanni River, 32 km upstream of the boundary of the Nahanni National Park Reserve.

While Parks Canada justifies this policy as a means fulfilling their mandate for maintaining ecological integrity, it obviously has the potential to significantly increase the effective size of our "protected areas" well beyond that intended by legislation. The South Nahanni River watershed, for example, is seven times the size of the Nahanni National Park Reserve, and at 37,000 km², covers about 75% of the Traditional Territory of the Nahanni Butte Dene Band of the Deh Cho First Nations. Implementation of this policy will obviously severely restrict the ability of these peoples to achieve the economic self-sufficiency for which they strive through development of the natural resources on their lands, and in so doing appears to conflict directly with the objectives of the MVRMA.

As a result, we would also ask that you consult with your colleagues in Cabinet, particularly Minister Copps, with a goal to reviewing this policy in the broader context of the best interests of all Canadians and more particularly the local residents of this region.

Yours very truly,

CANADIAN ZINC CORPORATION



J. Peter Campbell
VP Project Affairs

cc: Hon. Stephen Kakfwi – Premier, GNWT (Fax: 1-867-873-0385)
Hon. Jim Antoine – Minister of Aboriginal Affairs, GNWT (Fax: 1-867-873-0306)
Hon. Joe Handley – Minister of RWED, GNWT (Fax: 1-867-873-0481)
Hon. Ethel Blondin-Andrew – P.C., M.P. Western Arctic (Fax: 1-613-992-7411)
Hon. Shiela Copps – P.C., M.P., Minister of Canadian Heritage, Canada (Fax: 1-613-994-1267)
Hon. Ralph Goodale – P.C., M.P., Minister of Natural Resources, Canada (Fax: 1-613-996-4516)
Mackenzie Valley Land and Water Board (Fax: 1-867-873-6610)
Mackenzie Valley Environmental Impact Review Board (Fax: 1-867-920-4761)
Nahanni Butte Dene Band (Fax: 1-867-602-2910)
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Backgrounder**May 1, 2001****Land Use Permitting Problems in the Mackenzie Valley, NWT – The Prairie Creek Mine**

Canadian Zinc Corporation owns the Prairie Creek Mine located in the southwest corner of the Northwest Territories. The Prairie Creek Mine presently has in excess of \$100 million of infrastructure in place and was fully permitted for operations in 1982, however did not achieve commercial production due to a fall in world silver prices at that time.

Canadian Zinc is actively investigating the potential for re-establishing operations at the Prairie Creek Mine. The Company's Scoping Study, released in January 2001, indicated very positive economic justification for a planned 1500 tonne per day operation which would employ upwards of 200 people over a minimum 18 year mine life based on current resource estimates. The potential for significantly extending the mine life is considered excellent. The Company is now attempting to move forward with a full project feasibility study.

Resource development, such as that contemplated at Prairie Creek, is essential to the economic well-being of this region. With this in mind, the Company signed the Prairie Creek Development Cooperation Agreement with the Nahanni Butte Dene Band of the Deh Cho First Nations in 1996 which guarantees significant economic opportunities will spin-off to the local communities in the region in conjunction with mine development and operation. The Company continues to work closely with the Nahanni Butte Dene Band to achieve these goals, and the Band has recently re-iterated its support for development of the mine, the access road and the issuance of permits necessary for the Company to move forward.

Despite these very positive indications, the Company has been, and continues to be, confronted with significant time delays in acquiring even the simplest of permits for what can only be considered standard mineral exploration and development activity.

In July 2000, the Company applied to the Mackenzie Valley Land and Water Board for a Land Use Permit to drill an additional 6 – 7 mineral exploration holes. This on a property which has already had in excess of 200 holes drilled to date. The application was referred to the Mackenzie Valley Environmental Impact Review Board for further assessment and nine months later we still do not have a permit. At the same time we also applied for a permit to clean up an orphaned fuel cache left over by previous operators from construction in 1982. Even though fully supported by DIAND Ministry officials in Yellowknife, this application too was referred, and no permit has been received to date.

In March 2001, the Company applied for three more permits to undertake additional exploration work in support of the feasibility study. All three of these applications have now also been referred to the Environmental Impact Review Board for assessment. Given the timelines we have already experienced with the first application, we can reasonably expect not to receive approval on these permits until at least December 2001, resulting in the loss of another full season of work.

To be clear, the activities for which permits have been applied – mineral exploration surface core drilling, underground development to support underground core drilling and bulk sampling, and operation of a small-scale pilot plant fully contained within the existing mill facilities – are typical of advanced mineral exploration. Permits for similar such activities elsewhere in the NWT and Canada are applied for and typically received within a few weeks to 1 – 2 months without going through extensive environmental assessment because they are considered to be standard industry practice and to have minimum potential to cause significant adverse effects on the environment subject to the implementation of standard permit conditions.

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So why is Canadian Zinc having such problems with permitting at the Prairie Creek Mine?

It appears that the driving force behind the majority of these problems is the policy position taken by Parks Canada that no activity, even activity normally considered not to have the potential for significant adverse impacts, should take place within the watershed of the South Nahanni River. Parks Canada justifies this policy on the basis of fulfilling their mandate for maintaining the ecological integrity of the Nahanni National Park Reserve which encompasses 300 km of the 540 km long South Nahanni River. The Prairie Creek Mine is located adjacent to Prairie Creek, 32 km upstream of the park reserve boundary and 48 km upstream of the confluence of Prairie Creek and the South Nahanni River.

The unilateral application of this policy by Parks Canada would effectively create an unofficial 32,234 km² buffer zone around the 4766 km² Park Reserve in which no development could take place. The South Nahanni River watershed covers about 75% of the Traditional Territory of the Nahanni Butte Dene Band of the Deh Cho First Nations. Implementation of this policy will obviously severely restrict the ability of these peoples to achieve the economic self-sufficiency for which they strive through development of the natural resources on their lands, and in so doing appears to conflict directly with the objectives of the MVRMA.

Parks Canada, in conjunction with the Canadian Parks and Wilderness Society, routinely challenge any and all activity in this area, and have done so in each of the five applications submitted by Canadian Zinc. They have lobbied strongly with First Nations communities and organizations in the area for withdrawal of the watershed from all such activity under the Deh Cho process.

In the case of the Company's most recent permit applications, a blanket referral was made of all three applications unilaterally by Parks Canada as provided for under Section 126(2)(a) of the Mackenzie Valley Resource Management Act. This referral was made prior to the completion of preliminary screening by the Land and Water Board, and irrespective of positions taken by all other regulatory authorities in the previous EA that such activity, specifically the 6 - 7 hole exploration drilling program, could be undertaken without significant adverse impact to the environment subject to standard permit conditions. The referral simply stated that "Parks Canada is of the opinion that these proposed projects have the potential to impact the ecological integrity of the park reserve."

The consequences of these actions are to subject the Company to prolonged delays for every proposed activity regardless of how minor. This creates difficulty in planning and carrying out the orderly execution of the exploration and development programs leading towards the feasibility study, not to mention attracting the necessary investment to carry out these programs.

While the Company fully expects that full-scale mine development and operation should be carried out in an environmentally sensitive and responsible manner, and that it will be subject to a comprehensive environmental review, there is clearly a question of the inherent rights and legitimate expectations with respect to being able to carry out exploration activity as afforded by legal tenure held under the Canada Mining Regulations.

The situation in which the Company finds itself brings into question the procedural fairness being afforded by the current process and whether or not decisions being made by the MVLWB are based on adequate reasons or irrelevant considerations, or for purposes other than intended by the empowering legislation.

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