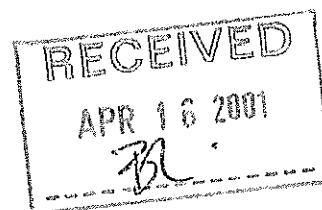


Fax to Tom Lee CEO Parks Canada

17/04/2001

**CANADIAN ZINC**  
CORPORATION**FAX COVER SHEET**

Date: 16, 04, 2001  
To: Tom Lee, CEO, Larry Ostola – Parks Canada  
Fax: 1- 819-953-9745  
From: Malcolm Swallow  
Pages: 8 (including cover sheet)  
Subject: Policy of Parks



Dear sirs,

As discussed on Thursday last, please accept this correspondence as a formal request for confirmation that the recent actions of Parks Canada's Superintendent, Chuck Blyth in bypassing of the Mackenzie Valley Land and Water Board Permitting Process, by use of the Mackenzie Valley Resource Management Act Section 126 (2)(a) to request a full Environmental Review of our recent permit applications, reflects the official policy of Parks Canada.

The applications in question were MVLWB File Numbers:

1. MV2001C0022
2. MV2001C0023
3. MV2001L2-0003

They consist of an extension of a drilling program, that recently successfully passed a full environmental review (approximately 8 days ago!); a pilot plant program that is fully self contained within the existing mill buildings and facilities and only requires a water license for 10 gpm, and a decline development within the existing mine foot print, that is required to provide a bulk sample to confirm mineralisation below existing workings.

The insistence of the Parks Superintendent, (who has consistently apposed any development by the Company on the site,) for referral to a minimum three month environmental review, before the Mackenzie Valley Land and Water Board even had time to review the applications and despite the recently completed full environmental review of the site, appears to the Company to be a deliberate attempt to delay activities in the hopes of preventing eventual re-opening of the mine.

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The reasons given in the letter request by Mr. Blyth are spurious in this instance, since all the permit applications are within the existing mine footprint, or contained within the mine buildings. Any Environmental Review will result in the same findings as the one most recently completed. It therefore appears that the only effect of this maneuver will be to ensure that the Company has to delay implementation of work on the site and to suspend all training and employment programmes for local employees for this season.

Please confirm that this action was taken with the full authority of Parks Canada and whether this is to become the Policies of Parks Canada for any development within the watershed of the Nahanni, in the future. If so, perhaps we should be making our permitting applications to Parks Canada and miss out MVLWB altogether.

I look forward to your response.

Additional details of the Company and the mine can be found on our web site at [www.canadianzinc.com](http://www.canadianzinc.com). A set of briefing notes and the pertinent letters are attached.

Yours truly,



Malcolm Swallow,  
President and CEO,  
Canadian Zinc Corp.

Copies:

Stephen Kakfwi Premier NWT.  
Roland Serojanovs, Executive Director, MVEIRB  
Executive Director, MVLWB Yellowknife  
Alexander Himelfarb, Deputy Minister Canadian Heritage,  
Chief Leon Konisenta, Nahanni Butte Dene Band.



## CANADIAN ZINC CORPORATION

### **Re: Failure of the Mackenzie Valley Resource Management Act.**

Canadian Zinc is the owner and developer of the Prairie Creek mine in NWT. The mine was constructed and fully permitted in 1982 by the Hunt Brothers as part of their efforts to corner the silver market; but was never operated. Canadian Zinc is currently working to re-open this operation as a zinc mine and take advantage of the more than 2.5 billion dollars of mineral resources on the property for the benefit of its shareholders, Canada, the Nahanni Butte Dene Band of the Deh Cho First Nations, and the NWT. The Company signed an Economic Development agreement with the Nahanni Butte Dene Band regarding the re-development of the Property in 1996.

As part of the development process for this property, which already contains an underground mine, mill and infrastructure, the Company is carrying out a detailed and carefully staged exploration and development plan which will lead to a full environmental review of the property under the Mackenzie Valley Resource Management Act (MVRMA.) The Company has occupied the site and carried out an extensive exploration program over the last 10 years, raising expenditures on the site by all operators to over \$70 million.

The Company recently completed a Scoping Study, which clearly demonstrated that the project is viable and feasible even at today's lower mineral prices. The Project will employ well in excess of 200 people when operating and will generate significant revenues in this economically challenged area to the First Nations, GNWT and the Government of Canada, over at least 18 years and most likely considerably in excess of this period.

The mine is located some 14 Km in a straight line, over a mountain range, from the Nahanni National Park Reserve on Prairie Creek and was fully permitted in 1982, but never operated. It is some 45 kilometers from the confluence of the Nahanni and Prairie Creek and accessed only by air or winter road from the North. Mineral exploration and development has been carried out on the site since the sixties and pre-dates the establishment of the Park Reserve.

While development in the past has been carried out under a Land Use Permit, as part of the area clean up, re-development and re-permitting process, an application was put into the Mackenzie Valley Land and Water Board (MVLWB) in July of 2000 to carry out a 6-7 hole diamond drill program before winter in 2000 and to clean up an orphaned fuel cache, left over from the earlier development of the mine. A non contentious application of this type, on a site with extensive surface drilling (249 holes to date) and extensive mine and mill development, would normally be approved at officer level and take a maximum of 6 weeks. However, because of the location of the mine and the current political climates in NWT, this application was split into two parts and referred for environmental review by the Mackenzie Valley Environmental Impact Review Board (MVEIRB.)

The MVEIRB issued terms of reference and nine months after the original application, and following significant volumes of paper, large amounts of work on all sides, including innumerable government departments, the MVEIRB has met and considered the application

Briefing Notes, Failure of the Mackenzie Valley Resource Management Act - 12 April, 2001

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for the 6-7 hole-drilling program. This program has, the Company are informed, passed environmental review and is currently awaiting Ministerial Approval. The fuel recovery program is still in the system and is expected to be considered by MVEIRB on the 18<sup>th</sup> of May.

Because the 6-7 hole drilling program recently approved by MVEIRB, will only take 2-3 weeks to drill out and is insufficient to allow the project to demonstrate full bankable feasibility under OSC statute 43-101, (imposed on Feb 01, 2001;) the Company subsequently applied in March of 2001, for a further drilling program for up to an additional 50-60 drill holes dependent on results. At the same time and as part of the feasibility process, a separate application was put in to operate a small air-portable pilot plant within the existing mill buildings and to extract up to 10 gallons of water per minute from wells already on site. The purpose of the pilot plant is to confirm the metallurgical process, produce small amounts of concentrate for trial marketing and demonstrate the proposed tailings disposal process and water quality for subsequent environmental review. A third application was also made for the driving of an underground decline below the existing 2.5 Km of tunnels to allow the taking of a bulk sample and provide a drilling platform for the further delineation of the ore body.

All of these applications are environmentally benign and non contentious in terms of a typical mine development. The applications are supported by the Nahanni Butte Dene Band and comply with best environmental practice. They represent the orderly development of the project and will provide the basis for a work program for 2001 leading to a full environmental review of the proposed mine operation by MVLWB over the next year. Indeed the diamond drilling application represents an extension of the earlier permit, in the same area and under the same conditions, as the one fully reviewed over the last 9 months and so recently approved by the MVEIRB. Despite this and before the Mackenzie Valley Land and Water Board had the opportunity to even review the application, a letter was sent from Chuck Blyth, Superintendent, Nahanni National Park Reserve, to the MVEIRB requesting that all these applications be referred for further full environmental review, citing Section 126(2)(a) of the Mackenzie Valley Resource Management Act.

This has resulted in the immediate cessation of preliminary screening of these non-contentious Applications by MVLWB and the immediate referral of the applications to the MVEIRB for full environmental review circumventing the Land and Water Board completely and apparently hijacking the screening process.

Are we therefore to assume that the Superintendent of Nahanni National Park Reserve has been delegated the authority by Parks Canada to make such determinations under section 126 (2)(a) of the MVRMA and what does this mean to the development of the mine? The immediate results of this action are as follows:

1. The only work available to be carried out on site this year will be the drilling of 6-7 holes contemplated in the application recently passed by the MVEIRB and currently awaiting ministerial approval.
2. The earliest that approval of any of the additional permits can be expected will be 12 to 15 weeks, following full environmental review, despite the fact that an exactly similar application has just been fully reviewed. This will mean that this year's program will have to be cancelled or shortened, as insufficient time will remain within the weather window to sensibly re-open the mine and complete the program.

3. Employment and training programs planned for this year to involve the local people will no longer be able to be completed.
4. Assuming receipt of a permit, the clean up of the fuel cache will not take place since the Company cannot justify opening up the mine site for only this activity.
5. The subsequent application for the full development and operating permits for the mine may well be deficient due to the lack of this data.
6. The practical application of the Mackenzie Valley Resource Management Act and the MVLWB can be totally bypassed by any government employee with a personal agenda.
7. The mining industry, which is already highly mobile will declare the Northwest Territories "too hard" for anything but the highest value added exploration and development and take its exploration and development dollars elsewhere.

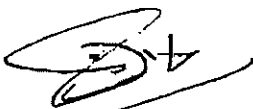
While we at Canadian Zinc Corporation fully accept that all mine development should be carried out in an environmentally sensitive and responsible manner and that any mine development will be subject to the most diligent and complete review; the Company cannot accept that this application of the MVRMA is what the Government of Canada had in mind when it drafted and put the Act in place.

The mine has the ability to be put into production after full and comprehensive environmental review, by mid 2003, providing all the required studies have taken place; even allowing for at least 18 months of further environmental evaluation of the project as a whole. This timetable cannot be met if every single application for permits to carry out work, no matter how non-contentious, is referred to a full environmental review process taking nine months.

This mine has the support and general approval of the First Nations people in whose land claims area it lies and will produce significant benefit to all involved. This cannot happen, nor can the Company carry out a realistic program of work this year under the current circumstances.

Full details of the Company, the mine, the Permit Applications and its planned development can be found on the Company's web site at [www.canadianzinc.com](http://www.canadianzinc.com).

Should there be any other points requiring clarification, please do not hesitate to contact us.



Malcolm J. A. Swallow  
President & CEO  
Canadian Zinc Corporation.