August 17, 2010

Chuck Hubert
Environmental Assessment Officer
Mackenzie Valley Review Board
Suite 200, 5102 50th Avenue,
Yellowknife, NT
X1A 2N7

Dear Mr. Hubert

RE: Environmental Assessment EA0809-002, Prairie Creek Mine
Letter from Impact Economics

I refer to a letter from our consultant, Impact Economics, dated July 28, 2010 (attached). Canadian Zinc Corporation wishes this letter to be placed on the public registry.

Yours truly,
CANADIAN ZINC CORPORATION

David P. Harpley, P. Geo.
VP, Environment and Permitting Affairs
Dear Sir,

I refer to a letter by Crosscurrent Associates Ltd. (CA) dated June 12, 2010 in which a critique of Impact Economics’ Socio-economic Impact Assessment (SEIA) for the Prairie Creek Mine (Appendix 19, Developers’ Assessment Report (DAR)) is provided. My comments are given below.

CA presents a number of statements and terminology out of context and assign value-based judgments to them that are not supported by a complete review of the SEIA. Also, CA highlights a number of statements which, when taken in isolation, present a different picture compared to the SEIA as a whole. CA disregards the economic data upon which the report is based, and indeed down-plays the very real opportunities the Mine project presents for the community of Nahanni Butte, as it does for all communities in the Study Area.

Data shows that there is a measurable difference in statistics for education, health, housing and crime associated with the Deh Cho Region when compared to national average. This information was analysed and contextualized in the SEIA to improve the baseline study. The SEIA is careful to clarify that a comparison of conditions between the Deh Cho Region and the rest of Canada is not relevant in all cases and should not form the sole basis of the SEIA. CA concluded that the SEIA defines Nahanni Butte as “bleak” and its residents “ignorant”. This is a misrepresentation of the overall discussion and the specific sections referenced. The term “bleak” was used specifically to compare social conditions to the Canadian norm. The term “ignorant” was not used, or implied, in the SEIA. The terms “illness” and “hopelessness” were also not used, although “poor health” was noted in a comparative way. CA’s selective reference to emotionally-loaded words, out of context, is not helpful to the constructive discussion the EA process is meant to promote.

CA believes the SEIA lacks credibility because the author did not visit the community. The author has considerable experience in the north and has visited many such communities. Further, Canadian Zinc has invested considerable time and money in the residents of the Study Area over the past fifteen years to build a relationship. The knowledge gained in this process was provided to the author.
Another example of accepted economic terminology that is narrowly interpreted by CA is that of “freedoms”. CA implies that money is simplistically equated to freedom. Economics is the study of choices. The proceeds from economic growth increase the range of choices available to an individual, a community or a region. Money does not provide a “panacea for all social problems” as CA suggested the SEIA implies, however, increased income can provide increased “freedom of choice” to invest in assets, education, social services, culture, language, recreation, savings, etc.

It is imperative that an SEIA is based on sound economic principles and established socio-economic relationships. The final analysis must remain grounded on facts from credible data sources. CA does not provide alternative economic principles or socio-economic theory, or offer credible alternative economic data or analysis. CA misinterprets a cautious analysis as a judgment of the community itself. Read as a whole, the SEIA describes a region that has had some past economic successes, but whose medium-term outlook is uncertain. The SEIA does not say, as CA has suggested, that the project will single-handedly change all aspects of life in the region. The SEIA notes that improvements in economic and social performance will come as a result of the efforts of all stakeholders, particularly the Study Area residents themselves. It does show that benefits to Study Area communities include as many as 70 jobs at the Mine and 83 additional indirect jobs bringing in close to $11 million in income annually. I believe this is significant considering a current unemployment rate of 20 per cent, and should not be trivialized as CA has sought to do.

A SEIA is a scientific and technical process, incorporating (in this case) a detailed mine plan, financial models, the inter-provincial Input-Output Model developed and maintained by Statistics Canada, and economic and demographic impact models. CA’s review focused on certain words and statements and an assessment of their (incorrectly) perceived intent, rather than reflecting on the overall messages and conclusions of the report. From a northern perspective, the main conclusions of the SEIA are as follows:

- production at the Prairie Creek Mine will raise gross output in the NWT by $1.5 billion adding an additional $393 million through increased business demand over the life of the project
- this translates to $951 million in additional gross domestic product, of which $398 million will be in the form of wages and salaries
- job creation will exceed 5,000 person-years
- the local workforce and business community will have preferential access to these expenditures
- local participation could equal 70 jobs at the mine site and 83 jobs with contractors or other affected businesses
- an examination of the growth in the available workforce over the life of the project shows that workers will be available to fill these jobs, should they choose to do so
- this level of participation would raise local wages and salaries by close to $11 million annually
- the project will generate up to $200 million in tax revenues for all levels of government

The SEIA also explains the additional economic and social impacts that may occur as a result of the project and local participation, and provides context for the proponent’s mitigation strategy that is set to address the full range of impacts and benefits. Unfortunately, none of this is reflected in CA’s critique.
Yours truly,

[Signature]

Impact Economics
Graeme Clinton