PHASE I

MEMORANDUM OF UNDERSTANDING

BETWEEN

CANADIAN ZINC CORPORATION

(“Canadian Zinc”) 

and

THE PARKS CANADA AGENCY

(“Parks Canada”)

(together Canadian Zinc and Parks Canada are referred to as “the Parties”)

WITH REGARD TO THE EXPANSION OF

NAHANNI NATIONAL PARK RESERVE AND

THE DEVELOPMENT OF THE PRAIRIE CREEK MINE
WHEREAS

1. Parks Canada is responsible for, among other things, the establishment, expansion and operation of national park reserves of Canada under the Canada National Parks Act;

2. Since 1987, management plans for Nahanni National Park Reserve of Canada ("Nahanni") have identified the need to expand the park reserve's boundary to:
   a. enhance representation of the Mackenzie Mountains Natural Region of the National Park System;
   b. sustain the ecological integrity of Nahanni within the Greater Nahanni Ecosystem;
   c. promote public appreciation and understanding of Nahanni; and
   d. enhance the experience of visitors to this national park reserve.

3. Canadian Zinc is working to develop a lead-zinc-silver mine on Prairie Creek (the "Prairie Creek Mine"). Canadian Zinc holds mining claims and mineral leases and considerable infrastructure, originally constructed and established in 1980 and earlier, is in place in respect of the Prairie Creek Mine.

4. It is proposed that Nahanni will be enlarged. The expansion of Nahanni as proposed will encircle the Prairie Creek Mine.

5. The Prairie Creek Mine is, and will continue to be, subject to applicable federal and territorial legislation, regulations and policy, including the Mackenzie Valley Resource Management Act.

6. Parks Canada has taken, and will continue to take, a reasonable and responsible approach to addressing issues of development near Nahanni, and acknowledges that Canadian Zinc's existing legal rights can be exercised.

7. Parks Canada recognizes and respects the right of Canadian Zinc to develop the proposed Prairie Creek Mine and will manage the expansion of Nahanni so that the expansion does not, in its own right, negatively affect development of, and reasonable access to and from, the Prairie Creek Mine, as defined by approved access provisions.

8. Canadian Zinc accepts and supports the proposed expansion of Nahanni and will manage the development of the Prairie Creek Mine so that the mine does not, in its own right, negatively affect the expansion of Nahanni or operation of an expanded Nahanni.

NOW THEREFORE the Parties have agreed to enter into this Memorandum of Understanding ("MOU"): 

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9. The Parties will work collaboratively, within their respective areas of responsibility, authority and jurisdiction, to achieve their respective goals of an expanded Nahanni and an operating Prairie Creek Mine.

10. The Parties will make every reasonable effort to address issues of common interest and build a strong working relationship, including convening a technical team (the "Team").

11. The composition of the Team will be as agreed by the Parties.

12. The Team will, among other things, better identify, define and consider issues of common interest to the Parties. Those issues of common interest will include, among other things,
   a. access to and from Prairie Creek Mine through the proposed expanded Nahanni, and
   b. the boundary around the Prairie Creek Mine properties.

13. Subject to any reasonable limits on disclosure of information, the Parties will share with one another and the Team any existing technical and scientific information relevant to a discussion and analysis of an issue or issues of common interest to the Parties.

14. This MOU is an expression of the mutual intentions of the Parties and is not legally binding on them or enforceable against them.

15. This MOU does not:
   a. create any new powers or duties,
   b. alter or affect any rights, powers and duties established by law, including by the Parks Canada Agency Act and the Canada National Parks Act,
   c. result in the Parties relinquishing any right, jurisdiction, power, privilege, prerogative or immunity.

16. To the extent the Prairie Creek Mine is subject to regulatory or government processes, including hearings, Parks Canada reserves the right, while recognizing the intent of the MOU, to participate in any such processes and take such positions as it sees fit and this MOU does not, and is not intended to, constrain Parks Canada from doing so, subject only to the understanding that in doing so Park Canada will not object to or oppose, in principle, the development of the Prairie Creek Mine.
17. No member of the House of Commons or the Senate shall be admitted to any share or part of this MOU or to any benefit arising from this MOU.

18. This MOU does not create, and is not to be interpreted as creating, a joint venture or partnership between the Parties.

19. This MOU is valid for three years, and may be amended or renewed as agreed in writing by the Parties.

20. This MOU may not be assigned by either Canadian Zinc or Parks Canada without the written consent of the other.

21. Either Canadian Zinc or Parks Canada may on its own terminate this MOU for any reason on not less than three months' written notice to the other.

THIS MOU IS SIGNED AND EFFECTIVE THIS 22 DAY OF July, 2008.

IN WITNESS WHEREOF each of the Parties has caused this Agreement to be duly executed as of the last day and year written below.

Alan Latourelle
Chief Executive Officer
Parks Canada Agency

John F. Kearney
Chairman and President
Canadian Zinc Corporation

Date July 22, 2008

Date July 29, 2008