June 9, 2006

Mr. Alan Taylor  
Canadian Zinc Corporation  
Suite 1710, 650 West Georgia Street  
PO Box 11644  
VANCOUVER, BC V6B 4N9  

Dear Mr. Taylor:

**Extension to LUP MV2001C0022 – Phase II Drilling**

The Mackenzie Valley Land and Water Board (the Board) met on June 9, 2006 to deliberate on your request to have Land Use Permit MV2001C0022 (the Permit) for phase II drilling extended for two years. The Board decided to extend the Permit to November 29, 2008 as requested with changes to the conditions. The conditions of the Permit have been harmonized with the conditions of the phase III drilling permit, MV2004C0030, wherever possible.

If you have any questions regarding this letter, please contact Meg McCluskie at (867) 669-0506 or email meg@mvlwb.com.

Yours sincerely,

Willard Hagen  
Interim Chair  

Attachment  

Copied to: Distribution List
LAND USE PERMIT

Permit Class  Permit No  Amendment No
A             MV2001C0022

Subject to the Mackenzie Valley Land Use Regulations and the terms and conditions in this Permit, authority is hereby granted to:

Canadian Zinc Corporation

Permittee

To proceed with the land use operation described in application of:

Signature
Dave Harpley
Date
April 3, 2006
Type of Land use Operation
Mineral Exploration
Location
Prairie Creek Mine

This permit may be assigned, extended, discontinued, suspended or cancelled pursuant to the Mackenzie Valley Land Use Regulations.

Dated at Yellowknife this 9 day of June 2006

Signature Chair

Signature Witness

Commencement Date
November 30, 2006

Expiry Date
November 29, 2008

NOTE
IT IS A CONDITION OF THIS PERMIT THAT THE PERMITTEE COMPLY WITH ANY OTHER APPLICABLE ACT, REGULATION, ORDINANCE BY-LAW OR ORDER. DEFAULT HEREOF MAY RESULT IN SUSPENSION OR CANCELLATION OF THIS PERMIT.
CONDITIONS ANNEXED TO AND FORMING PART
OF LAND USE PERMIT NUMBER MV2001C0022

Part A: Scope of Land Use Permit

1. This Land Use Permit entitles Canadian Zinc Corporation (the Permittee) to conduct mineral exploration activity consisting of 50 to 60 diamond drill holes located throughout the Prairie Creek Mine property, 61° 33’ N and 124° 48’ W.

2. This Land Use Permit is issued subject to the conditions contained herein with respect to the use of land for the activities and area identified in part A, item 1 of this Land Use Permit.

3. Compliance with the terms and conditions of this Land Use Permit does not absolve the Permittee from responsibility for compliance with the requirements of all applicable Federal, Territorial and Municipal legislation.

Part B: Definitions

"Board" means the Mackenzie Valley Land and Water Board established under part 4 of the Mackenzie Valley Resource Management Act;

"Drill Waste" means all materials or chemicals, solid or liquid, associated with the drilling of boreholes and includes borehole cuttings;

"Inspector" means an Inspector designated by the Minister under the Mackenzie Valley Resource Management Act;

"Sewage" means all toilet wastes and grey water;

"Sump(s)" is a pit, trench, hollow or cavity excavated in the earth's surface for the purpose of depositing waste material therein; and

"Watercourse" means Watercourse as defined in the Mackenzie Valley Land Use Regulations.

Part C: Conditions Applying to All Activities (the headings correspond to subsection 26 of the Mackenzie Valley Land Use Regulations)

26(1)(a) LOCATION AND AREA

1. The Permittee shall not conduct this land use operation on any lands not designated in the accepted application.

2. The Permittee shall not construct drill sites within one hundred (100) metres of the ordinary high water mark of any Watercourse, unless otherwise authorized by an Inspector.
3. The Permittee shall use existing camp facilities only.

4. When the Permittee is drilling within one hundred (100) metres of the ordinary high water mark of any Watercourse, they must employ a recirculating drill and ensure that Drill Waste does not enter any Watercourse.

5. The Permittee shall not construct parallel lines or roads unless authorized by an Inspector.

6. Any spur roads constructed as part of the permitted undertakings shall:
   (a) extend no more that 30 metres past existing lines or roads; and
   (b) be located at least 30 metres from any Watercourse, except at stream crossings, unless otherwise authorized by an Inspector.

26(1)(b) TIME

7. The Permittee's Field Supervisor shall contact an Inspector at (867) 695-2627 and the Board at (867) 669-0506 at least forty-eight (48) hours prior to the commencement of this land use operation.

8. The Permittee shall advise an Inspector at least ten (10) days prior to the end of each drilling season of:
   (a) the plan for removal or storage of equipment and materials; and
   (b) the plan for any clean up or stabilization of the lands that will take place.

9. The Permittee shall advise an Inspector at least ten (10) days prior to the final completion of the land use operation of:
   (a) the plan for removal or storage of equipment and materials; and
   (b) when final clean-up and restoration of the land used will be completed.

10. The Permittee shall provide the following information in writing to the Board and Inspector, at least forty-eight (48) hours prior to commencement of this land use operation:
    (a) person(s) in charge of the field operation to whom notices, orders, and reports may be served;
    (b) alternates; and
    (c) all methods for contacting the above person(s).
11. The Permittee shall submit to the Inspector and the Board every 30 days during active operations a progress report detailing on a 1:10,000 scale map the following information:

(a) sites drilled and sites to be drilled within the next reporting period of 30 days;
(b) water supply locations for past 30 days and water supply locations for the next reporting period of 30 days; and
(c) temporary fuel cache locations for past 30 days and temporary fuel cache locations for the next reporting period of 30 days.

12. The Permittee shall not cross any Watercourse during the period of August 16 to June 14 of any year, unless otherwise authorized by an Inspector. Water crossings shall only occur in areas of clean cobble.

13. The Board and/or the Inspector reserve the right to impose closure of any area to the Permittee in periods when dangers to natural resources are severe.

26(1)(c) TYPE AND SIZE OF EQUIPMENT

14. The Permittee shall only use equipment identified in the accepted application.

15. The Permittee shall ensure a wildlife-proof garbage container is on site at all times.

26(1)(d) METHODS AND TECHNIQUES

16. The Permittee shall plug all boreholes as the land use operation progresses.

17. The Permittee shall not clear areas larger than identified in the accepted application.

18. The Permittee shall remove or cut off and seal all drill casings at ground level immediately upon completion of drilling.

26(1)(e) TYPE, LOCATION, CAPACITY AND OPERATION OF ALL FACILITIES

19. The Permittee shall locate all Sumps:

(a) at least one hundred (100) metres above the ordinary high water mark of any Watercourse, unless otherwise authorized by an Inspector; and
(b) in a such a manner as to prevent the contents of the Sumps from entering any Watercourse.
20. The Permittee shall place and mound all material previously excavated over the **Sump** area to ensure ponding does not occur.

21. The Permittee shall ensure that the land use area is kept clean at all times.

**26(1)(f) CONTROL OR PREVENTION OF PONDING OF WATER, FLOODING, EROSION, SLIDES AND SUBSIDENCE OF LAND**

22. The Permittee shall, where flowing water from bore holes is encountered:

(a) plug the bore hole in such a manner as to permanently prevent any further outflow of water; and

(b) report the occurrence to an **Inspector** immediately.

23. Sediment/soil stockpiles shall be located above the ordinary high water mark, and stored, sloped and contained such that sediment does not enter any **Watercourse**.

24. The land use operation shall not cause obstruction to any natural drainage.

25. The Permittee shall not cut any stream bank.

26. The Permittee shall not use the bed of streams for access routes except for the purpose of crossing the streams.

27. The Permittee shall construct dykes and diversion ditches as authorized by an **Inspector**.

28. The Permittee shall implement sedimentation and erosion control measures as the land use operation progresses to prevent the entry of sediment into any **Watercourse**. Sedimentation and erosion control measures shall be inspected regularly and shall be repaired if damaged, or adjusted to maximize effectiveness in controlling erosion and sedimentation.

29. The Permittee shall prepare the site in such a manner as to prevent rutting of the ground surface.

**26(1)(g) USE, STORAGE, HANDLING AND ULTIMATE DISPOSAL OF ANY CHEMICAL OR TOXIC MATERIAL**

30. The Permittee shall not use chemicals in connection with the land use operation that were not identified in the accepted application.

31. The Permittee shall use drip pans, or other similar preventative measures, when refuelling equipment on site.
32. The Permittee shall ensure that all **Drill Waste** is disposed of in such a manner that does not allow any harmful substances to enter any **Watercourse**.

33. The Permittee shall dispose of **Drill Waste** in Sumps or in portable, impermeable containers such that **Drill Waste** does not enter any **Watercourse**.

34. The Permittee shall contain any **Drill Waste** containing toxic or persistent chemical additives and remove that **Drill Waste** to an approved disposal facility. These activities shall be done in a manner acceptable to an **Inspector**.

35. The Permittee shall report all spills immediately to the 24 hour Spill Report Line (867) 920-8130, which is in accordance with instructions contained in "Spill Report" form N.W.T. 1752/0593.

**26(1)(h) WILDLIFE AND FISHERIES HABITAT**

36. The Permittee shall minimize damage to wildlife and fish habitat in conducting this land use operation.

37. The Permittee shall not obstruct the movement of fish while conducting this land use operation.

38. The Permittee shall construct and maintain the water intake using the DFO recommended 2.54 mm fine mesh size to prevent entrainment of fish. Other dimensions must follow DFO's **Freshwater Intake End-of-Pipe Fish Screen Guidelines**.

39. The Permittee shall minimize disturbance to and contact with caribou, migratory birds or their nesting areas, Peregrine Falcon (*anatum*), Yellow Rail, Short-eared Owl, and western toad.

**26(1)(i) STORAGE, HANDLING AND DISPOSAL OF REFUSE OR SEWAGE**

40. The Permittee shall dispose of all **Sewage** as described in the accepted application.

41. The Permittee shall burn all combustible garbage and debris, except plastics, daily, in a fuel-fired incinerator acceptable to an **Inspector**.

42. The Permittee shall:

(a) ensure that food and camp wastes remain inaccessible to wildlife at all times; and

(b) use food handling and garbage disposal procedures that do not attract wildlife, including bears.
43. The Permittee shall ensure that all hazardous wastes, including waste oil not used to power the incinerator, receive proper treatment and disposal at an approved facility.

44. The Permittee shall dispose of all plastics and non-combustible solid garbage and debris such as scrap metal, wood and rubber at a disposal site or facility acceptable to an Inspector.

26(1)(j) PROTECTION OF HISTORICAL, ARCHAEOLOGICAL AND BURIAL SITES

45. The Permittee shall not operate any vehicle within thirty (30) metres of a known or suspected archaeological site.

46. The Permittee shall not knowingly remove, disturb, or displace any archaeological specimen or site.

47. The Permittee shall immediately cease any activity which disturbs an archaeological, historical, and/or burial site and contact the Board at (867) 669-0506 should an archaeological site or specimen be encountered or disturbed by any land use activity.

48. The Permittee shall ensure that all persons working under authority of this Land Use Permit are aware of these conditions concerning archaeological land use activity.

26(1)(k) OBJECTS AND PLACES OF RECREATIONAL, SCENIC AND ECOLOGICAL VALUE

49. The Permittee shall not feed wildlife.

26(1)(l) SECURITY DEPOSIT

50. The Permittee shall be liable for any cost of damages over and above the amount of the security deposit.

51. All costs to remediate the area under this Land Use Permit are the responsibility of the Permittee.

26(1)(m) FUEL STORAGE

52. The Permittee shall locate all temporary fuel caches:
   (a) at least one hundred (100) metres above the ordinary high water mark of any Watercourse, unless otherwise authorized by an Inspector; and
   (b) in such a manner as to prevent any fuel from entering any Watercourse.
53. The Permittee shall not allow petroleum products to spread to surrounding lands or into any Watercourse.

54. The Permittee shall during active operations:
   (a) examine all fuel storage containers for leaks a minimum of once every day; and
   (b) repair all leaks immediately.

55. The Permittee shall seal all fuel and chemical container outlets except the outlet currently in use.

56. The Permittee shall ensure that all fuel caches have adequate secondary containment with an impervious liner acceptable to an Inspector.

57. The Permittee shall line all Sumps dug to contain fuel-fed pumps or fuel containers with an impervious liner as approved by an Inspector.

58. The Permittee shall ensure that an appropriate spill contingency plan is in place at all times.

59. The Permittee shall consistently maintain and have readily available spill kits, including shovels, barrels, sorbents, pumps, etc., at the site of operations at all times.

60. The Permittee may use the existing fuel in the tanks located within the main Tank Farm Facility located at the mine site but shall not add any new fuel to any of the tanks until the repairs listed in the letter from the Board to the Permittee dated January 11, 2006 under Water Licence MV2001L2-0003 are carried out.

**26(1)(m) METHODS AND TECHNIQUES FOR DEBRIS AND BRUSH DISPOSAL**

61. The Permittee shall dispose of all debris and brush by windrowing. All windrows of brush and debris shall be made to lie flat and compact by bucking the material into suitable lengths, lopping the branches from the stem, or crushing with heavy machinery, unless otherwise authorized by an Inspector.

62. The Permittee shall progressively complete disposal of all debris and brush in a manner acceptable to an Inspector.

**26(1)(o) RESTORATION OF THE LANDS**

63. The Permittee shall backfill and restore all Sumps progressively as operations proceed.
64. The Permittee shall save the organic and top soils stripped from
the excavation area and place the organic and top soils over the
disturbed area prior to the expiry date of this Land Use Permit.

65. The Permittee shall commence and foster revegetation on the land
used within one (1) year of the completion of the land use
operation.

66. The Permittee shall complete all reclamation or stabilization of any
lands used, including roads and drill pads constructed or used as
part of the permitted undertakings, prior to the expiry date of this
Land Use Permit in a manner acceptable to an Inspector.

26(1)(p) DISPLAY OF PERMITS AND PERMIT NUMBERS

67. The Permittee shall display a copy of this Land Use Permit in the
camp used to carry out this land use operation.

68. The Permittee shall keep on hand, at all times during this land use
operation, a copy of the Land Use Permit.

26(1)(q) MATTERS NOT INCONSISTENT WITH THE
REGULATIONS

69. The Permittee shall ensure that all persons working under the
authority of the Land Use Permit are aware of and are
appropriately trained to implement the conditions of this Land Use
Permit and the Permittee's commitments made during the
environmental assessment.

70. The Permittee shall not remove any material from below the
ordinary high water mark of any Watercourse.
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<td>Barrister &amp; Solicitors, Ka'a'gee Tu First Nation</td>
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<td>Doug Bryshon</td>
<td>Dev. Corp Mgr Sambaa K'e(Trail Lake)</td>
<td>867-874-4505</td>
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<tr>
<td>Peter Redvers</td>
<td>Research Cons. Sambaa K'e</td>
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<tr>
<td>Katherine Cumming</td>
<td>Parks Canada</td>
<td>204-983-0031</td>
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<tr>
<td>Jennifer Morin</td>
<td>CPAWS</td>
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<td>Vem Christensen</td>
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FILE NUMBER: MV2001C0022

Date: June 12, 2006

To: Willard Hagen, Interim Chair

Organization: MVLWB

Fax Number: 

From: Bob Wooley, Executive Director MVLWB

Number of pages including cover 11

Remarks:
The attached Board Meeting items have been reviewed and are attached for your signature.

☐ Extension to LUP Type “A”
  • Issuance Letter
  • Land Use Permit Cover
  • Conditions
  • Distribution List

☐ Water License
  • Cover Page
  • General Procedures
  • Scope and Definitions

☐ Letter:
  ☐ Final Clearance Letter
  ☐ Approval Letter for Reports/Plans
  ☐ Notification

☐ Reasons for Decision

☐ Approval Letter for Conditions

☐ For your action

Delivered by Date:

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**FILE NUMBER:** MV2001C0022

**Date:** June 22, 2006

**To:** Mr. Alan Taylor

**Organization:** Canadian Zinc Corporation

**Fax Number:** (604) 688-2043

**Copied To:** Distribution List - attached - *Distribution 5 pages*

**From:** Janna for Meg McCluskie, Regulatory Officer

**Number of pages including cover** 13

**Remarks:**

- [ ] Enclosures
- [ ] As requested
- [ ] For your information
- [ ] For your comment
- [x] For your action
- [ ] For your approval

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**Date**

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- June 22/06

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Line 2 :
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Start time : 22-Jun 16:00
End time : 22-Jun 16:05
Pages sent : 013
Status : OK

Job number : 747
*** SEND SUCCESSFUL ***

FILE NUMBER: MV2001C0022

Date: June 22, 2005
To: Mr. Alan Taylor
Organization: Canadian Zinc Corporation
Fax Number: (604) 686-2043
Copied To: Distribution List - attached
From: Jenna for Mag McGuske, Regulatory Officer

Number of pages including cover : 13

Remarks:

Extension to LUP MV2001C0022 - Phase II Drilling

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Date : June 22/05

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**FILE NUMBER:** MV2001C0022

**Date:** June 22, 2006
**To:** Mr. Alan Taylor
**Organization:** Canadian Zinc Corporation
**Fax Number:** (604) 688-2043
**Copied To:** Distribution List - attached
**From:** Janna for Meg McCluskie, Regulatory Officer
**Number of pages including cover:** 13

**Remarks:**
Extension to LUP MV2001C0022 – Phase II Drilling

| Enclosures | As requested |
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**Delivered**
- June 22/06

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Group Send Report

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End time : 22-Jun 17:07

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Refaxed June 26/06
Date: June 22, 2006

To: Mr. Alan Taylor

Organization: Canadian Zinc Corporation

Fax Number: (604) 688-2043

Copied To: Distribution List - attached — Distribution Completed

From: Janns for Meg McCluskie, Regulatory Officer

Number of pages including cover: 13

Remarks:

Extension to LUP MV2001C0022 — Phase II Drilling

☐ Enclosures
☐ As requested
☐ For your information
☐ For your comment
☐ For your action
☐ For your approval

Delivered by: Mail

Date: June 22/06

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Group Send Report

Page : 001
Date & Time: 26-Jun-2006 08:51
Line 1 : +8678736510
Line 2 :
Machine ID : MVLRB

Job number : 770
Date : 26-Jun 08:12
Number of pages : 005
Start time : 26-Jun 08:35
End time : 26-Jun 08:51
Successful nhrs.

Unsuccessful nhrs.
One touch numbers
18
42
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18677733266
Fax numbers
18678734888

Pages sent
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Confirmation Report - Memory Send

Page: 001
Date & Time: 26-Jun-2006 13:03
Line 1: +40678736610
Line 2:
Machine ID: MVLWB

Job number: 780
Date: 26-Jun 12:59
To: 2168676893360
Number of pages: 013
Start time: 26-Jun 12:59
End time: 26-Jun 13:03
Pages sent: 013
Status: OK
Job number: 780

*** SEND SUCCESSFUL ***

FILE NUMBER: MV2001C0022
Date: June 22, 2006
To: Mr. Alan Taylor
Organization: Canadian Zinc Corporation
Fax Number: (604) 688-2043
Copied To: Distribution List - attached — Distribution List pages
From: Jenna for Meg McCluskie, Regulatory Officer

Number of pages including cover: 13
Remarks:

Extension to LUP MV2001C0022 - Phase II Drilling
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Date: June 1, 2004

To: Mr. Alan Taylor

Company: Canadian Zinc Corporation

Copied To: Vern Christensen, Executive Director, MVEIRB (50)

Fax Number: (604) 688-2043

From: Marilyn For Melody McLeod

Number of pages including cover: 11

Remarks:

Board Decision – Amendment Request
Mineral Exploration at Prairie Creek Mine

- Letter
- Preliminary Screening Report

☐ Enclosures
☐ As requested
☒ For your information
☒ For your comment
☐ For your approval

Delivered by: [Name]
Date: June 1, 2004
June 1, 2004

Mr. Alan Taylor  
Canadian Zinc Corporation  
Suite 1202 – 700 West Pender Street  
VANCOUVER, BC V6C 1G8

Dear Mr. Taylor:

Board Decision – Amendment Request  
Mineral Exploration at Prairie Creek Mine

The Mackenzie Valley Land and Water Board (MVLWB) met on June 1, 2004 to deal with the aforementioned application. The decision was to refer the application to the Mackenzie Valley Environmental Impact Review Board (MVEIRB) for an environmental assessment pursuant to Subsection 125(1) of the Mackenzie Valley Resource Management Act. Please note that the application is being referred to the MVEIRB as a new Land Use Permit and has been assigned file number MV2004C0030.

The application is being referred to the MVEIRB specifically due to public concern about the cumulative effects of this project on the South Nahanni Watershed. For further clarification, please see the attached reasons for decision and the preliminary screening report.

If you have any questions, contact Bob Wooley, Executive Director at (867) 669-0506 or email mvwbpermit@mvwb.com.

Yours sincerely,

Melody J. McLeod  
Chair

Attachment

Copies to:  
Vern Christensen, MVEIRB  
Charlène Coe for Ed Hornby, South Mackenzie District, DIAND, Yellowknife  
Herb Norwegian, Deh Cho First Nation  
Chief Keyna Norwegian, Lííldílí Kue First Nation
PRELIMINARY SCREENING REPORT FORM

PRELIMINARY SCREENER: MVLWB
REFERENCE / FILE NUMBER: MV2001C0022
TITLE: Mineral Exploration, Prairie Creek Mine Site
ORGANIZATION: Canadian Zinc Corporation
MEETING DATE: June 1, 2004

Type of Development:

- [ ] New
- [X] Amend, EIRB Ref. #
- [ ] Requires permit, license or authorization
- [ ] Does not require permit, license or authorization

Project Summary

(1) Operation Summary
- Land based diamond drilling of up to 60 holes to further delineate the mineral resources on the Prairie Creek Property
- Access to drill sites will be mainly by existing tote roads but short 20-30 metre access spurs may have to be constructed
- Drilling will be conducted on existing drill pads or from new drill pads located adjacent to existing tote roads
- The existing camps facilities at the Prairie Creek Mine will be used
- Operation to be conducted during the summer months until November 29, 2005 when the LUP expires

(2) Fuel
- All fuels needed for the operation will be stored at the existing, fully bermed fuel tank farm facility at the Prairie Creek Mine site.
- Fuel will be transferred to equipment in small batches on an as needed basis by helicopter or pick up truck.
- No fuel will be stored at each individual drill site or access spur site except within the fuel tanks in the equipment.

(3) Equipment
- [X] 2 Longyear Super 38 drills or equivalent
- [X] 1 Cat front end loader
- [X] 1 Cat bulldozer
- [X] 1 Cat grader
- [X] 2 rock trucks
- [X] 3 pickup trucks

Scope

Conduct mineral exploration activity consisting of 50 to 60 diamond drill holes located throughout the Prairie Creek Mine property.

Coordinates: 61°33'N & 124°48'W.

Principal Activities (related to scoping)

- [ ] Construction
- [ ] Installation
- [ ] Maintenance
- [ ] Expansion
- [ ] Operation
- [ ] Repair
- [ ] Research
- [ ] Water Intake
- [ ] Other:

- [ ] Exploration
- [ ] Industrial
- [ ] Recreation
- [ ] Municipal
- [ ] Quarry
- [ ] Linear / Corridor
- [ ] Sewage
- [ ] Solid Waste
- [ ] Decommissioning
- [ ] Abandonment
- [ ] Axial
- [ ] Harvesting
- [ ] Camp
- [ ] Scientific

Principal Development Components (related to scoping)

- [ ] Waste Management
- [ ] Disposal of hazardous waste
- [ ] Waste generation
- [ ] Sewage
- [ ] Disposal of sewage
- [ ] Geoscientific Sampling
- [ ] Trenching
- [ ] Diamond drill
- [ ] Borehole core sampling
- [ ] Bulk soil sampling
- [ ] Gravel
- [ ] Hydrological Testing
- [ ] Site Restoration
- [ ] Fertilization
- [ ] Grubbing

MV2001C0022, Canadian Zinc Corporation
NTS Topographic Map Sheet Numbers
95F10

Latitude / Longitude:
61°33' N; 124°46' W

Nearest Community and Water Body:
Community: Nahanni Butte
Water Body: Prairie Creek

Land Status (consultation information)
□ Free Hold/Private □ Commissioners Land □ Federal Crown Land □ Municipal Land

Transboundary Implications
□ British Columbia □ Alberta □ Wood Buffalo National Park □ Saskatchewan □ Yukon
□ Nunavut □ Inuvialuit Settlement Region

Type of Transboundary Implication:
□ Impact / Effect □ Development

(DESCRIBE)

PHYSICAL-CHEMICAL EFFECTS

IMPACT
1. Ground Water
□ elevation alteration
□ water table alteration
□ water quality changes

MITIGATION
Drilling may penetrate a confining aquifer, resulting in artesian flow and a lowered potentiometric surface. Requiring the proponent to plug and permanently seal all drill holes where artesian flow is encountered should mitigate these effects.

Improper handling of drill wastes, fuels and garbage may result in toxic leachate reaching ground water through recharge areas. Requiring the proponent to use techniques that limit the volume of these substances that come into contact with soil or water, and techniques that reduce spill response times should help mitigate these effects.

The techniques to be used include: the use of a recirculating drill; the burning of all combustible garbage in a forced-air fuel fired incinerator; the use of drip pans at fuel transfer locations; and having readily available spill plans and kits, and personnel trained in the use of the kits on site. All spills are to be reported to the Spill Line.

□ Infiltration changes
□ other
□ N/A

IMPACT
2. Surface Water
□ flow or level changes
□ water quality changes

MITIGATION
The use of a recirculating drill will help reduce the volume of water required during drilling. Since exact drilling locations are not known, water sources are not yet known.

Improper handling of drill wastes, sewage and fuel may result in these substances entering surface waters. Drill waste contamination should be minimized by requiring the proponent to use a recirculating drill and to deposit all cuttings in a land based sump at least 100 m above the high water mark of any water body/course.
Sawage and greywater is to be deposited in the existing exfiltration sump on site which is currently permitted under MV2001C0022.

Hydrocarbon contamination should be minimized by locating fuel caches at least 100 m above the high water mark of a water body/course; by ensuring that all equipment crossing creek is free of visible hydrocarbon residue; by checking the fuel containers every week for leaks; by having spill kits readily available at all drill and spur construction sites; and by using drip pans when refueling equipment. The main fuel storage facility already permitted for use is fully berm.

Using sumps will limit the aerial extent of possible contaminant source areas.

Sediments may enter water bodies/courses through erosion of banks and hill slopes. To reduce erosion potential, stream banks should not be cut; stream beds should not be used as access routes; erosion control structures should be installed where needed; and all disturbed areas should be recontoured/restabilized to conform to local topography.

☐ water quantity changes
☐ drainage pattern changes
☐ temperature
☐ wetland changes / loss
☐ other:
☐ N/A

**IMPACT**

3. Noise

☒ noise in near water

☐ other: noise increase

☐ N/A

**MITIGATION**

All equipment to be used will generate noise. No mitigation but impact should be for short, intermittent periods of time.

☐ N/A

**IMPACT**

4. Land

☐ geologic structure changes

☒ soil contamination

☐ buffer zone loss

☒ soil compaction & settling

☒ Dewatering / erosion

☐ permafrost regime alteration

☐ other: explosives/blasting

☐ N/A

**MITIGATION**

Fuel and chemical spills could contaminate soils. Having spill kits and spill contingencies in place, as well as training personnel to respond to such events, will speed up response times. This should help reduce the impacts of any spills.

Constructing new access spurs and drill pads may cause soil compaction in currently undisturbed areas. These effects will be minimized by using, wherever possible, the existing tote roads, drill pads, campsites and main fuel tank farm facility.

Drilling and operating equipment near or in streams may cause bank erosion and destabilization. To reduce erosion potential, stream beds should not be cut; stream beds should not be used as access routes; drilling and trail construction should be well above the high water mark of any water body/course; erosion control structures should be installed where needed; and all disturbed areas should be recontoured/restabilized to conform to local topography.

☐ N/A

**IMPACT**

5. Non Renewable Natural Resources

☒ resource depletion

☐ other:

☐ N/A

**MITIGATION**

No resources will be depleted during this operation but reviewers have stated concerns that this exploration may lead to mining of the mineral resources.
Other

Impact

6. Air/Climate/Atmosphere

- Other

Biological Environment

Impact

1. Vegetation

- species composition

- species introduction

- toxin/heavy accumulation

- other foliage damage

N/A

Impact

2. Wildlife & Fish

- effects on rare, threatened or endangered species

- fish population changes

- waterfowl population changes

- breeding disturbance

- population reduction

- species diversity change

- health changes (identify)

- behavioural changes

- habitat changes / effects

MITIGATION

Standard filters on the equipment will reduce emissions but overall no mitigation.

MITIGATION

The equipment has been only used at the Prairie Creek Mine site for a number of years; therefore, the probability of introducing new plant species to the site is low.

Fuel and chemical spills could damage plant foliage. Having spill kits and spill contingencies in place, as well as training personnel to respond to such events, will speed up response times and minimize any impacts.

All vegetation will be removed at the new access spur sites and possibly at the drill sites. No mitigation unless the disturbed areas are revegetated naturally or by human effort. An A&R plan for LUP MV2001C0023 is currently being reviewed that will address these issues because the A&R Plan has to take into account the entire mine site.

MITIGATION

Reviewers have identified that the Prairie Creek watershed is important habitat for Grizzlies (listed as Special Concern under the Species at Risk Act) and Bull Trout (on COWSEWIC's Highest Priority Candidate List).

Disturbance to these species can only be minimized, not fully prevented but it should only be for a short period of time.

Spawning grounds can be protected by prohibiting the use of stream beds as access routes and by requiring that access routes be constructed at least 30 metres from any stream, and by prohibiting drilling within 100 metres of the high water mark of any stream.

Covering all water in-takes with mesh will prevent the entrainment of fish.

Wildlife may avoid the area during times of operation because of the noise and/or smells (exhaust, chemicals). No mitigation.

Parks Canada is concerned that this development will fragment continuous habitat areas. No mitigation but for the most part currently existing infrastructure will be used; therefore, further fragmentation of the landscape should be minimal.

The number and total area of new access spurs and drill pads that have to be constructed are unknown.
Mitigation

Improper garbage handling may attract numerous predators to the area which will increase the pressure on prey species. Storing garbage in bear proof containers and burning garbage regularly will help mitigate this effect.

Mitigation

Reviewer's and the public have raised concerns that development in the Prairie Creek watershed destroys the pristine nature of the whole South Nahanni Watershed, the location of the Nahanni National Park Reserve.

Canadian Zinc Corporation is in good standing with the Recorder's Office and has the legal right to work the claims and leases listed in the application.
☐ quality of life changes
☐ public concern
☐ other:
☐ N/A

IMPACT:
3. Cultural and Heritage
☐ effects to historic property
☐ increased economic pressure on historic properties
☐ change to or loss of historic resources
☐ change to or loss of archaeological resources
☐ increased pressure on archaeological sites
☐ change to or loss of aesthetically important site
☐ effects to aboriginal lifestyle

☐ other:
☐ N/A

NOTES:
Consultation

• Pursuant to Section 27 Subsections (a) and (b) of the Deh Cho First Nations (DCFN) Interim Measures Agreement, the MVLWB determined that written notice was given to the DCFN and that a reasonable period of time was allowed for DCFN to make representations with respect to the application.
PRELIMINARY SCREENER / REFERRING BODY INFORMATION

<table>
<thead>
<tr>
<th>RA or PERMIT</th>
<th>ADVICE</th>
</tr>
</thead>
</table>

**Federal/Territorial**
- Environment Canada
- Fisheries and Oceans
- Indian and Northern Affairs Canada
- Canadian Heritage (Parks Canada)
- National Energy Board
- Natural Resources Canada
- Public Works and Gov't Services
- Transport Canada
- Northern Oil and Gas Directorate
- Canadian Nuclear Safety
- Industry Canada
- Canadian Transportation Agency
- National Defence
- GNWT - RWED
- GNWT - MACA
- GNWT - Transportation
- GNWT - Health
- Prince of Wales Heritage Center
- NVEIRB

**Other**
- Canadian Parks and Wilderness Society
- Terra Firma Consultants

**Aboriginal / First Nations - Deh Cho**
- Deh Cho First Nations
- Liidii Kue First Nation (Ft Simpson)
- Deh Gah Gofte Dene Council (Ft Prov)
- Acho Dene Koe First Nation (Ft Lmd)
- Nahanni Butte First Nation
- Petzhone K1 First Nation (Wrigley)
- Tùndzahk'èl First Nation (JMR)
- Ka'ng'ee Tu First Nation (Kakisa)
- Sambaa K'e Dene Band (Trout Lake)
- K'sàdíídeesha First Nation (Hay River)
- West Point First Nations (Hay River)
- Hamlet of Fort Providence
- Hamlet of Fort Lmd
- Village of Fort Simpson
- Town of Hay River
- Enterprise Settlement Corporation
- Dene Nation
- Hay River Metis Nation
- Hay River Metis Council
- Fort Lmd Metis Local #67
- Fort Providence Metis Council
- Fort Simpson Metis Local #62
- Northwest Tertiary Metis Nation
- Nahendeh Land and Environmental Services
- Development Corporation Manger, Sambaa K'e
- Research Cons., Sambaa K'e
- Mandell Pinder, Barristers & Solicitors, Ka'ng'ee Tu First Nation

**North Slave**
- Dogrib Treaty 11 Council
- Dogrib Rae Band
- Wha Ti First Nation
- Dechi Lactl Council (Wekwekt)
- Garnaal First Nation (Rae Lakes)
- Lutselk'ä Dene First Nation
- Yellowknife Dene First Nation (Ndilo)
- Yellowknife Dene First Nation (Dettah)
- Rae-Edzo Metis Local #64
- North Slave Metis Alliance
- Hamlet of Rae Edzo
- Charter Community of Wha Ti
- City of Yellowknife
South Slave
Sall River First Nations
Smith Landing First Nation
Kahlodeeche First Nation
West Point First Nation
Northwest Territory Metis Nation
Hay River Metis Council
Deninu Ku'e First Nations
Fort Resolution Metis Council
Deninu Ku'e Env. Working Committee
Akalcho Territory Government
Town of Hay River
Deninoo Community Council
Town of Fort Smith
Enterprise Settlement Corporation
**REASONS FOR DECISION**

The Mackenzie Valley Land and Water Board (The Board) is satisfied that the preliminary screening of application MV2001C0022, Canadian Zinc Corporation, Amendment request has been completed in accordance with Section 125 of the Mackenzie Valley Resource Management Act.

The Board is satisfied that a reasonable period of notice was given to Communities and First Nations affected by the application as required by Subsection 53(2) of the MVRM Act so that they could provide comments to the Board.

Having reviewed all relevant evidence on the Public Registry, including the submissions of the Applicant, the written comments received by the Board and any staff reports prepared for the Board, the Board has decided that in its opinion that there is significant public concern regarding the proposed development.

As a result, the Board, having due regard to the facts and circumstances, the merits of the submissions made to it, and to the purpose, scope and intent of the Mackenzie Valley Resource Management Act and the Mackenzie Valley Land Use Regulations has decided that this Land Use Permit be referred to the MWEIRB for Environmental Assessment.

<table>
<thead>
<tr>
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<th>Outside Local Government Boundaries</th>
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<td>☐</td>
<td>The development proposal might have a significant adverse impact on the environment, refer it to the EIRB.</td>
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<tr>
<td>☒</td>
<td>Proceed with regulatory process and/or implementation.</td>
</tr>
<tr>
<td>☒</td>
<td>The development proposal might have public concern, refer it to the EIRB.</td>
</tr>
<tr>
<td>☐</td>
<td>Proceed with regulatory process and/or implementation.</td>
</tr>
<tr>
<td>☐</td>
<td>Wholly within Local Government Boundaries</td>
</tr>
<tr>
<td>☐</td>
<td>The development proposal is likely to have a significant adverse impact on air, water or renewable resources, refer it to the EIRB.</td>
</tr>
<tr>
<td>☐</td>
<td>Proceed with regulatory process and/or implementation.</td>
</tr>
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<td>☐</td>
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</tbody>
</table>

Preliminary Screening Organization
Mackenzie Valley Land and Water Board

June 1, 2004

Sincerely,

[Signature]

MV2001C0022, Canadian Zinc Corporation
April 20, 2004

Mackenzie Valley Land and Water Board
7th Floor, 4910-50th Avenue,
Yellowknife, NT
X1A 2P6

Attention: Sarah Baines, Regulatory Officer

Dear Sarah:

Re: Request for Amendment to LUP MV2001C0022, Prairie Creek NT.

Canadian Zinc Corporation hereby submits a request for an Amendment to LUP MV2001C0022, specifically with reference to the Condition in Part C, Section 1, to include all lands within the Prairie Creek Property, as described in the attached Application.

Reasons for Amendment
The recent issuance of Land Use Permit MV2001C0023 for underground work coupled with market conditions, and investor interest has directed the Company to place additional emphasis on further exploration diamond drilling in other areas of the Prairie Creek Property.

 Permit Background
The original application for a Land Use Permit to support a 60-70 drill hole program at the Prairie Creek property was accepted by your Board March 7, 2001. Supporting documentation accompanying the application included a Project Description Report dated February 28, 2001. The application was referred to EA on April 11, 2001 and the review process was completed which resulted in LUP MV2001C0022 dated November 8, 2001 being issued to the Company.

Nature of Amendment
The company wishes to carry out diamond drill operations in a similar manner to that described in the existing license except the area of interest needs to expand to include other areas of the Prairie Creek Property. The drilling program would be carried out utilizing existing and appropriate drill and heavy equipment.

The Company is confident that the environmental and socio-cultural implications of this requested amendment remain negligible and consistent with predictions presented in the original Project Description Report filed with the Mackenzie Valley Land and Water Board, as well as the Report of Environmental Assessment prepared by the Mackenzie Valley Environmental Impact Review Board.

Your prompt attention to this application would be much appreciated and if you have any questions please contact me immediately.

Yours truly,

Alan B. Taylor
Vice President Exploration
**TYPE A**

1. Applicant's name and mailing address:
   Canadian Zinc Corporation
   1202 – 700 W. Pender St.
   Vancouver, BC, V6C 1G8
   Fax number: 604-688-2043
   Telephone number: 604-688-2001

2. Head office address:
   As above
   Fax number: As above
   Telephone number: As above

3. Other personnel (subcontractor, contractors, company staff etc.)

   TOTAL: To be determined. Est. 14 (Number of persons on site)

4. Eligibility:
   (Refer to section 18 of the Mackenzie Valley Land Use Regulations)
   a)(i) X  a)(ii)  a)(iii)  b)(i)  b)(ii)  

5. a) Summary of operation: (Describe purpose, nature and location of all activities.)

   As part of the ongoing process of establishing, confirming and enhancing the known mineral resource at the Prairie Creek property, Canadian Zinc proposes to conduct an additional surface mineral exploration drilling program, to follow up on the 6-7 hole Phase 1 program applied for on July 28, 2000.

   The main objective of the proposed drilling exploration program is to further delineate the area of vein and stratiform mineralization that makes up the known mineral resource in Zone 3 where the majority of exploration work has been conducted to date. The program is designed to provide the additional degree of confidence in the geological database necessary to upgrade the existing 11.8 million tonnes mineral resource to mineral reserve status through the application of geostatistical modeling. As a result, proposed holes are located between and in close proximity to existing holes in order to provide in-fill drilling on a closer spaced grid.

   Subject to available funding, the program is expected to entail drilling of 50 – 60 holes of up to 500 metres each in length for a total of up to 25,000 to 30,000 metres of recovered core.

   The area proposed for investigation includes other areas of the Prairie Creek Property that are registered to Canadian Zinc Corporation including Mining Leases and Mineral Claims as described further in the original Project Description Report. Access to the drill sites will be via the network of existing tote roads.

   b) Please indicate if a camp is to be set up. (Please provide details on a separate page, if necessary.)
   The land use operation will be based in and serviced from the existing facilities at the Prairie Creek Mine. No new camp will be set up.
6. Summary of potential environmental and resource impacts (describe the effects of the proposed land-use operation on land, water, flora & fauna and related socio-economic impacts). (Use separate page if necessary.)

Minimal environmental disturbance is expected to occur as all activity will take place within the area of traditional mining activity that being the boundaries of the existing mining leases and claims. New surface disturbance will be restricted to the immediate area of each drill pad. To the extent practical drilling will be conducted from existing pads or from new pads constructed immediately adjacent to existing tote roads. Where new road access is required, distances are expected to be minimal, typically in the order of a few to 20-30m in length.

A total of some 249 holes have been drilled on the property to date. An application to drill an additional 6-7 holes was made on July 28, 2001. An Environmental Assessment Report on this Phase I drilling program was submitted to the MVEIRB on January 26, 2001. A detailed Project Description Report summarizing potential impacts has been prepared and submitted in support of this application for the Phase II program. Upon completion of the two programs the total number of holes drilled on the property will be in the range of 300 to 320.

7. Proposed restoration plan (please use a separate page if necessary).

The area of the proposed development is within the area of traditional mining activity. Depending on the results of the exploration program these areas are expected to be subject to ongoing activity associated with further exploration and mine development. Accordingly, final reclamation and abandonment of these sites is not proposed at this time.

The proposed drilling program will entail minimal disturbance of surficial materials. All proposed drill locations are in close proximity to existing exploration tote roads which will minimize disturbance relating to the establishment of roads and drill sites. To the extent practical drilling will be conducted from existing pads or from new pads constructed immediately adjacent to existing tote roads, again to minimize surface disturbance. Where required, extensions to existing tote roads will be kept to a minimum, typically only from a few to 10 or 20 metres. The drill pads will be prepared only large enough to accommodate and position the approximate 7m x 4m drill rig.

Where clearing is required to create short extensions, or spurs, from existing tote roads, or the drill pads themselves, surficial materials will be stripped and stockpiled adjacent to the area. Any trees which require clearing will be bucked into 1.5 metre lengths. When all drilling is complete, cut banks will be re-contoured to conform to the local topography and stabilized, and stockpile surficial materials will be back bladed over the disturbed areas.

8. Other rights, licences or permits related to this permit application (mineral rights, timber permits, water licences, etc.)

Mining Lease 2932, 2931, 2854, 2933, 3315,3338, Mineral Claims F67134, F67135, F67136, F67137 and Surface Lease 9SF10/10-5-3.

No new roads required, only access spurs to drill pads from existing roads.

Roads: Is this to be a pioneered road? Has the route been laid out or ground truthed?


  a) Garbage: Prairie Creek refuse site
  b) Sewage (Sanitary & Grey Water): Exfiltration sump
  c) Brush & trees: NA
  d) Overburden (Organic soils, waste material, etc.): To be stockpiled adjacent to drill pad

10. Equipment (includes drills, pumps, etc.) (Please use separate page if necessary.)

<table>
<thead>
<tr>
<th>Type &amp; number</th>
<th>Size</th>
<th>Proposed use</th>
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<tbody>
<tr>
<td>2 Longyear Super 38 or equivalent</td>
<td>4m(w)x 7m(l) x 8m(h), ~350 GMC diesel</td>
<td>Core Drilling</td>
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<tr>
<td>1 Cat front end loader</td>
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<td>Road maintenance</td>
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<td>Road Maintenance</td>
</tr>
<tr>
<td>1 Cat grader</td>
<td>14G</td>
<td>Road Maintenance</td>
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2 rock trucks | Volvo 5350 | Road Maintenance  
3 Pick up trucks | 1/4 ton | Personnel transport

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<th>Capacity of containers</th>
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<td>400 – 1200 litres</td>
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<td>20,000 litres ea</td>
<td>Existing Tank Farm Pick up trucks</td>
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<td>3</td>
<td>150 litres ea</td>
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<td>Aviation fuel</td>
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<td>Propane</td>
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<tr>
<td>Other</td>
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</tbody>
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12. Containment fuel spill contingency plans. (Please attach separate contingency plan if necessary).

A spill contingency plan has previously been prepared and submitted for the Prairie Creek Mine.

13. Methods of fuel transfer (to other tanks, vehicles, etc.)

Manual or electric pump, gravity.

14. Period of operation (includes time to cover all phases of project work applied for, including restoration)

Estimated duration of operation: 6 months  
Period of operation: June 1 – October 31, 2004

15. Period of permit (up to five years, with maximum of two years of extension).  
5 years: Additional exploration drilling will be conducted in subsequent years.

16. Location of activities by map co-ordinates (attached maps and sketches)

Minimum latitude (degree, minute) 61° 33’ N  
Maximum latitude (degree, minute) 61° 33’ N

Minimum longitude (degree, minute) 124° 48’ W  
Maximum longitude (degree, minute) 124° 48’ W

Map Sheet no. 95F10

17. Applicant  
Alan B. Taylor, VP Exploration  
Signature: Original Signed By: Alan B. Taylor  
Date: April 20, 2004

18. Fees  
Type A - $150.00  
Type B - $150.00

Land use fee: __________________ hectares @ $50.00/hectare  
$ _____

Assignment fee $50.00  
$ 0.00

Total application and land use fees  
$ 150.00