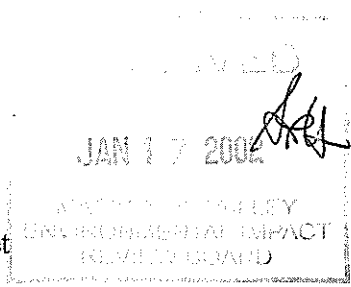




6th Floor – Bellanca Building
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Yellowknife, NT
X1A 2R3

Malcolm Swallow, President
Canadian Zinc Corporation
Suite 1202-700 West Pender Street
Vancouver, British Columbia
V6C 1G8



Your file Votre référence

Our file Notre référence

January 11, 2002

RE: Inspectors Direction issued to the Department of Indian Affairs and Northern Development (DIAND) - Prairie Creek Mine Cat Camp - Fuel Facility Remediation

Dear Mr. Swallow:

This letter is intended to inform you of recent developments and the Department's proposed course of action with respect to the Inspector's Direction issued by Environment Canada to DIAND on June 19, 2001.

As background, the Inspector's Direction was issued under section 38(6) of the *Fisheries Act* and requires DIAND, which has control of the fuel, to take steps to prevent the deposit of petroleum hydrocarbons from the Cat Camp fuel cache into Sundog Creek. The Department commissioned a study (conducted by AD Williams Engineering Ltd) to inspect the fuel facilities at Cat and Grainger Camps. These fuel caches supported the operation of the former winter road into Prairie Creek Mine. It is estimated that between 175,000 and 200,000 liters of diesel fuel is located in the bulk fuel tanks at each site.

The consultant's reports confirmed that fuel leakage has occurred from the tanks at both Cat and Grainger Camps. The preferred option for preventing further contamination is to incinerate the remaining fuel in the tanks. AD Williams also noted that the fuel was of sub-standard quality (over 20 years old) and would not be suitable for use in most modern equipment, as it would not meet warranty specifications.

The Department has determined that immediate action is required to remediate fuel leakage at Cat and Grainger Camps and is developing plans to incinerate the fuel on site. The project activities will include the mobilization/demobilization of equipment and personnel to/from site by helicopter, the set up of a temporary camp (insulated tents for three people for 14 days), and incineration of the fuel at each site.

Environment Canada required that DIAND file an Action Plan by end of December 2001 to indicate the steps that are being taken to comply with the Inspector's Direction.

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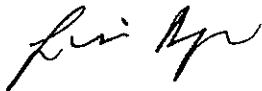
The Action Plan outlines our intention to comply with the Order by incinerating the remaining fuel in the tanks as soon as feasible. Subject to financial appropriations, the project is scheduled for March 2002.

The decision to proceed with incineration is based on the fact that DIAND has control over the fuel as the Crown land manager. As such, DIAND considers it a priority to act quickly to prevent further contamination of the surrounding environment.

Attached for your information are the Inspector's Direction from Environment Canada, the Action Plan developed by DIAND in response and the Inspection Reports for Cat and Grainger Camps.

I understand that you'll be in Yellowknife later this week and would like to take you up on your offer to meet. Please give me a call at (867) 669-2648 so we can set up a time to discuss this recent development.

Yours sincerely,



for David Livingstone
Director,
Renewable Resources and Environment

Cc: Environment Canada
Mackenzie Valley Land and Water Board
Mackenzie Valley Environmental Impact Review Board

Attachment