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NUNAVUT WATER BOARD
NUNAVUT IMALIRIYIN KATIMAYINGI
OFFICE DES EAUX DU NUNAVUT

File No.: 1AR-NAN0914/Amendment-Renewal

January 29, 2014

Johan Skoglund, Group Manager, Environment
Canzinc Ltd.
c/o Nyrstar Canada (Holdings) Ltd.
2840 -650 West Georgia Street
P.O. Box No. 11552
Vancouver, BC V6B 4N8
Email: johan.skoglund@nyrstar.com

Re: Licence No. 1AR-NAN0914; Amendment-Renewal Application by Canzinc Ltd. for Continued Reclamation and Post-Closure Monitoring Activities, Nanisivik Mine Site

Dear Mr. Skoglund:

The Nunavut Water Board (NWB or Board) acknowledges receipt, on November 20, 2013 of the Type “A” water licence Amendment-Renewal Application and supporting information submitted on November 14, 2013 by Canzinc Ltd., a wholly-owned subsidiary of Breakwater Resources Ltd., which in turn is a wholly-owned subsidiary of Nyrstar Sales and Marketing AG (Applicant or Proponent), for the continued reclamation and monitoring of the former Nanisivik Mine site, Licence 1AR-NAN0914.

Your submission has been placed in the Board’s Public Registry and made available through the NWB’s ftp site using the following link (Username: “**public**” and Password: “**registry**”):
<ftp://nunavutwaterboard.org/1%20PRUC/1%20INDUSTRIAL/1A/1AR%20-%20Remediation/1AR-NAN0914/1%20APPLICATION/>:

The following documents are included under your submission:

- Application cover letter
- Water Licence amendment-renewal application form
- Appendix A: Executive summary of water licence amendment application (English)
- Appendix B: Executive summary of water licence amendment application (Inuktitut)
- Appendix C: Canzinc shareholder resolution appointing directors
- Appendix D: Site location map
- Appendix E: Correspondence related to the Nunavut Planning Commission conformity determination
- Appendix F: Correspondence related to the Nunavut Impact Review Board Screening requirements

- Appendix G: Geotechnical monitoring schedule 2014-2018
- Appendix H: Water quality monitoring schedule 2014-2018
- Appendix I: Contaminated soil remediation progress
- Appendix J: Petroleum hydrocarbon contaminated soils risk-based remedial options analysis
- Appendix K: Concordance table related to supplementary information requirements for hydrocarbon-impacted soil storage and landfarm treatment facilities
- Appendix L: Site layout map
- Appendix M: Letter of credit
- Appendix N: Canzinco appointment of officer
- Appendix O: Canzinco certificate of amendment
- Appendix P: Compliance assessment and status report

The NWB's initial preliminary review of your submission deems that your application is for a Type "A" water licence amendment and renewal, which will require a public hearing in accordance with s.52¹ of the *Nunavut Waters and Nunavut Surface Rights Tribunal Act* (NWNSRTA or Act). All public hearing will be carried out in accordance with the Board's *Rules of Practice and Procedure for Public Hearings*, adopted May 11, 2005, (NWB Rules).

The preliminary review also notes that information pertaining to the following items is of importance to your application and should be provided as an addendum to your submission prior to February 28, 2014:

1. 2013 Annual Report

The NWB is aware that the deadline for submission of the 2013 Annual Report is March 31, 2014; however, given that information related to monitoring and remediation activities undertaken in 2013 might influence your application, it is recommended that such information be provided prior to March 31, 2014.

2. Authorization from the Hamlet of Arctic Bay

The application states that sewage and solid waste generated by the project will be backhauled for disposal at facilities owned and operated by the Hamlet of Arctic Bay. The NWB understands that communities in Nunavut with active water licences may accept waste generated from facilities and undertaking operating outside of the hamlet's boundaries. However, the Hamlet of Arctic Bay does not currently have an Active water licence and may not be in a position to provide the required authorization. Therefore, the proposed backhauling of waste might not be a viable option at this time.

The next step in processing your application involves a completeness review and a technical assessment to determine if all of the necessary information and studies to evaluate quantitative and qualitative effects of your project on the freshwater environment have been provided. **Accordingly, by copy of this letter, the Board requests that interested parties review the submission for completeness and technical assessment including any Information Request (IRs) identified. In addition, Board requests that interested parties provide comments to the NWB on the type of Technical Meeting/Pre-Hearing conference and Public Hearing to be held for the application (written, teleconference, or in person as outlined in steps 3 and**

¹ Nunavut Waters and Nunavut Surface Rights Tribunal Act; Section 52 (1) Subject to subsection 37(2), a public hearing shall be held by the Board before it disposes of (a) any application in relation to a licence, unless the application is of a class that is exempted by the regulations from the requirement of a public hearing.

4 in the process set out below). All intervening parties' submissions should be sent to the NWB's Manager of Licensing at licensing@nwb-oen.ca by March 3, 2014 (3: p.m. MST).

Following the receipt of comments, the NWB will determine whether the application is complete, or whether additional information and studies are required to evaluate all quantitative and qualitative effects of the undertaking pursuant to section 48 of the Act. The NWB will advise Canzinco Ltd. of Board's determination at that time.

Once the application is deemed complete, the following generalized process will be followed:

1. Notice of the Application

A notice of the Application will be made in accordance with subsection 55(1) of the Act. This notice will invite interested persons to make representation to the Board. Parties will be advised of the consequences of failure to respond as outlined in s. 59 and s.s. 60(2) of the Act. Furthermore, the Board will distribute notice to the communities and interested parties affected by the application and shall publish the notice in a newspaper of general circulation in the areas that are affected. If there is no such newspaper, the Board shall publish the notice in such other manner as the Board considers appropriate.

2. Detailed Technical Review

Interested parties will be advised to undertake a detailed technical assessment or review of the complete application for the undertaking. Parties will be encouraged to work cooperatively to address technical issues identified during the review period. Generally, the Board provides at least thirty (30) days for a technical review in advance of a technical meeting. However, to assist the board in expediting the technical assessment, parties are encouraged to begin their detailed technical assessment as early as possible.

3. Technical Meeting (TM)/Pre-Hearing Conference (PHC)

Rule 14 of the NWB Rules permits the Board, through its staff or in conjunction with staff, to hold a Technical Meeting (TM) and Pre-hearing Conference (PHC) with the interested parties, either in writing, by teleconference, or in person. The Board anticipates setting a date for a TM/PHC shortly after the deadline for receiving technical reviews submissions, which will be announced subsequently. The PHC is typically scheduled to immediately follow the TM.

4. PHC Decision

Following the TM/PHC, the NWB will issue a PHC decision and may outline the technical commitments of the Applicant and the administrative and procedural requirements for a Public Hearing.

5. Public Hearing (PH) Notice

Sub-section 55(2) of the Act requires a minimum notice period of sixty (60) days be provided for a Public Hearing (PH). As with the Technical Meeting and Pre-hearing Conference, the Board has the ability to conduct its Public Hearing in writing, by teleconference, or in person. Once the Board has received all information requested through this process and is satisfied that the Public Hearing should proceed, the type or place, date, and time of the hearing will be determined and a notice will be published by the Board in advance of the public hearing and in a manner that promotes public awareness and participation in the hearing.

The Board notes an absence of information related to pre-licensing information with respect to land use planning and environmental assessment processes. The NWB acknowledges that the Applicant included as part of its Application the previous Nunavut Planning Commission's Land Use Conformity Determination and Nunavut Impact Review Board's Screening Decision for the project. However, because the Application involves a renewal as well as an amendment to the scope of activities and undertaking associated with the project, the NWB is forwarding the application to the NPC to provide its determination and recommendations pursuant to Sections 13.4.2 through 13.4.5 of the Nunavut Land Claim Agreement (NLCA) and to the NIRB to provide its screening decision in accordance with 13.5.1 of the NLCA. It should be understood that the NWB in accordance with 39 (1) of the Act may not issue, renew, or amend a licence until the NIRB has completed the screening, reconsideration, or where a review is required, issued a new project certificate.

In the interests of ensuring this application is dealt with in a timely and coordinated manner, while recognizing the absence of directions from the NPC and NIRB regarding the pre-licensing process that may be required, the Board will continue with its processing of your application to the extent possible.

To re-state the above, the NWB is requesting comments on the completeness of the Application based on an initial technical assessment, the type of technical meeting/prehearing conference and public hearing to be held, and Information Requests (IRs) to be submitted to the Board no later than 3:00 p.m. (MST) March 3, 2014. All submissions should be provided to the NWB's Manager of Licensing at licensing@nwb-oen.ca.

If you have any questions regarding procedural matters, please contact Phyllis, Beaulieu, Manager of Licensing, at 867-360-6338 or by e-mail to licensing@nwb-oen.ca. For inquiries related to technical matters, please contact David Hohnstein, Director of Technical Services by e-mail to dts@nwb-oen.ca or Sean Joseph, Technical Advisor by email to s.joseph@nwb-oen.ca

Yours truly,

Original Signed by:

Phyllis Beaulieu
Manager of Licensing

Cc: Distribution List – Qikiqtani Region