

Breakwater Resources Ltd.

2000-95 Wellington Street West
Toronto, Ontario, Canada M5J 2N7
FAX (416) 363-1315 TEL (416) 363-4788

INDIAN AND NORTHERN
AFFAIRS - CANADA
NWT REGION
FEB 07 2001
WATER RESOURCES
DIVISION
YELLOWKNIFE, NT

January 5, 2001

Brian Gibson
Land and Water Management Division
Northern Affairs Program
Department of Indian Affairs and Northern Development
10 Wellington Street, Room 637
Hull, Quebec K1A 0H4

NWT WATER BOARD	
Date:	July 23, 2002
Exhibit No.:	3

Dear Mr Gibson:

Nanisivik Mine, a division of CanZinco Ltd.
Reclamation Security - Water Licence No. NWB1 NAN 9702

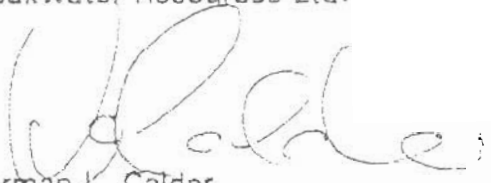
As previously agreed in your correspondence of December 18, 2000 with David Jennings of AON Reed Stenhouse, enclosed please find our Security Bond #11133538246 in the amount of C\$4,000,000 to substitute for the existing reclamation security held by DIAND in the form of a stand-by letter of credit issued by The Bank of Nova Scotia.

Accordingly, we would appreciate prompt return of the aforesaid letter of credit to my attention for onward transmission to The Bank of Nova Scotia for cancellation.

Your cooperation in this is much appreciated.

Should you have any questions or concerns do not hesitate to contact me at your earliest convenience.

Yours truly,
Breakwater Resources Ltd.


Norman L. Calder
Treasurer

c.c. Ron Light, Nanisivik Mine
Scott Stewart, The Bank of Nova Scotia
By fax, Brian Gibson 819-997-9623

FIREMAN'S FUND INSURANCE COMPANY

NATIONAL SURETY CORPORATION

ASSOCIATED INDEMNITY CORPORATION

THE AMERICAN INSURANCE COMPANY

AMERICAN AUTOMOBILE INSURANCE COMPANY

GENERAL POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS: That FIREMAN'S FUND INSURANCE COMPANY, a California corporation, NATIONAL SURETY CORPORATION, an Illinois corporation, THE AMERICAN INSURANCE COMPANY, a New Jersey corporation redomesticated in Nebraska, ASSOCIATED INDEMNITY CORPORATION, a California corporation, and AMERICAN AUTOMOBILE INSURANCE COMPANY, a Missouri corporation, (herein collectively called "the Companies") does each hereby appoint Joan Bagnall, William N. Burke, Dan W. Burton, Judy A. Etheredge, Joy Hajovsky, Michael J. Herrod, Karen M. Kellner, Wendy W. Stuckey and Lupe Tamayo of Houston, TX.

their true and lawful Attorney(s)-in-Fact, with full power of authority hereby conferred in their name, place and stead, to execute, seal, acknowledge and deliver any and all bonds, undertakings, recognizances or other written obligations in the nature thereof

and to bind the Companies thereby as fully and to the same extent as if such bonds were signed by the President, sealed with the corporate seals of the Companies and duly attested by the Companies' Secretary, hereby ratifying and confirming all that the said Attorney(s)-in-Fact may do in the premises.

This power of attorney is granted under and by the authority of Article VII of the By-laws of FIREMAN'S FUND INSURANCE COMPANY, NATIONAL SURETY CORPORATION, THE AMERICAN INSURANCE COMPANY, ASSOCIATED INDEMNITY CORPORATION and AMERICAN AUTOMOBILE INSURANCE COMPANY which provisions are now in full force and effect.

This power of attorney is signed and sealed under the authority of the following Resolution adopted by the Board of Directors of FIREMAN'S FUND INSURANCE COMPANY, NATIONAL SURETY CORPORATION, THE AMERICAN INSURANCE COMPANY, ASSOCIATED INDEMNITY CORPORATION and AMERICAN AUTOMOBILE INSURANCE COMPANY at a meeting duly called and held, or by written consent, on the 19th day of March, 1995, and said Resolution has not been amended or repealed:

"RESOLVED, that the signature of any Vice-President, Assistant Secretary, and Resident Assistant Secretary of the Companies, and the seal of the Companies may be affixed or printed on any power of attorney, on any revocation of any power of attorney, or on any certificate relating thereto, by facsimile, and any power of attorney, any revocation of any power of attorney, or certificate bearing such facsimile signature or facsimile seal shall be valid and binding upon the Companies."

IN WITNESS WHEREOF, the Companies have caused their presents to be signed by their Vice-President, and their corporate seals to be hereunto affixed this 09 day of August, 1999.



FIREMAN'S FUND INSURANCE COMPANY
NATIONAL SURETY CORPORATION
THE AMERICAN INSURANCE COMPANY
ASSOCIATED INDEMNITY CORPORATION
AMERICAN AUTOMOBILE INSURANCE COMPANY

By [Signature] Vice-President

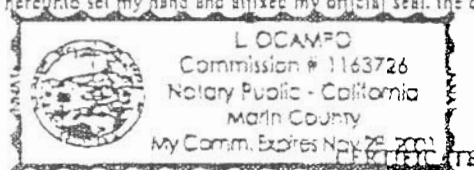
STATE OF CALIFORNIA

COUNTY OF MARIN

SS

On this 09 day of August, 1999, before me personally came Harold N. Marsh to me known, who, being by me duly sworn, did depose and say: that he is a Vice-President of each company, described in and which executed the above instrument; that he knows the seals of the said Companies; that the seals affixed to the said instrument are such company seals; that they were so affixed by order of the Board of Directors of said companies and that he signed his name thereto by like order.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal, the day and year herein first above written.



[Signature]
Notary Public

STATE OF CALIFORNIA

COUNTY OF MARIN

SS

I, the undersigned, Resident Assistant Secretary of each company, DO HEREBY CERTIFY that the foregoing and attached POWER OF ATTORNEY remains in full force and has not been revoked; and furthermore that Article VII of the By-laws of each company, and the Resolution of the Board of Directors set forth in the Power of Attorney, are now in force.

Signed and sealed at the County of Marin, Dated the 21st day of December, 2000



[Signature]
Resident Assistant Secretary

WATER LICENCE SECURITY BOND

BOND NO. 11133538246

AMOUNT: \$4,000,000.00

KNOW ALL PERSONS BY THESE PRESENTS, that we, CANZINCO LTD., (hereinafter called the "Principal") as Principal and FIREMAN'S FUND INSURANCE COMPANY, (hereinafter called the "Surety") as Surety are held jointly and severally bound unto Her Majesty the Queen in Right of Canada represented by the Minister of Indian Affairs and Northern Development, (hereinafter called the "Obligee") in the sum of Four Million Dollars (\$4,000,000.) of lawful money of Canada, to be paid unto the Obligee, his successors and assigns, for which payment well and truly to be made, we, the Principal and the Surety, jointly and severally bind ourselves, our respective heirs, executors, administrators, successors and assigns, firmly by these presents.

WHEREAS the Principal has an interest in a water licence #NWB1NAN9702 (the "water licence") originally granted to Nanisivik Mines Limited by the Nunavut Water Board for the term July 31, 1997 to July 30, 2002 pursuant to the provisions of the Northwest Territories Waters Act ("the Act") and the Regulations thereunder and the Nunavut Settlement Area Land Claims Agreement, and is required pursuant thereto to furnish and maintain security in the sum of:

- a) within thirty (30) days of issuance of the water licence, an amount of One Million Dollars (\$1,000,000.);
- b) and One Million Dollars (\$1,000,000.) annually thereafter for the term of the water licence;
- c) such further or other amounts as may be required by the Board based on annual estimates of current mine restoration liability in accordance with Part H, Item 3 of the water licence;

all such amounts in the lawful money of Canada, which security may be applied by the Obligee pursuant to subsection 17(2) of the Northwest Territories Waters Act.

AND WHEREAS the Obligee has agreed to accept this Bond as the security required by the said water licence.

NOW THE CONDITION OF THE ABOVE OBLIGATION is such that if the Principal shall fully and faithfully comply with and satisfy the obligations imposed on the said Principal by the water licence, the Northwest Territories Waters Act and the Regulations thereunder such that there is no need for the security to be applied to pay compensation pursuant to paragraph 17(2)(a) of the Act or to reimburse the Obligee for reasonable costs incurred pursuant to subsections 37(3) or 39(1) of the Act, then the obligation shall be void but otherwise shall be and remain in full force and effect in accordance with and subject to the terms and conditions set forth in the said Act and shall be subject to payment as provided by the said Act.

PROVIDED THAT the total liability imposed upon the Principal or Surety by this Bond and any and all renewals thereof shall be concurrent and not cumulative and shall in no event exceed the amount written above or the amount substituted for such amount by any subsequent endorsement or renewal certificate.

PROVIDED THAT this Bond is effective on the date that it is signed and expires on July 30, 2003 or on the date that is one year beyond the termination of the water licence should the water licence terminate before July 30, 2002.

PROVIDED THAT, if the Surety at any time gives at least three calendar months notice in writing to the Oblige and to the Principal of its intention to terminate this obligation, then this obligation shall be deemed to be terminated on the date stated in the notice, which date shall not be less than three calendar months after the date of the receipt of the notice by the said Oblige or by the said Principal, whichever is the later date of receipt, provided that, should the Principal fail, within two calendar months of the above-referenced later date of receipt, to provide a replacement security in at least the same amount as this bond in a form acceptable to the Oblige, the Surety shall automatically and immediately pay the full amount of the bond to the Oblige.

SIGNED, SEALED AND DELIVERED dated the 21st day of December, 2000 in the presence of:

CANZINCO LTD.

E. Ann Wilkinson
(Witness)

John Kaldor
FIREMAN'S FUND INSURANCE COMPANY

Angela M. Tindol
(Witness) Angela M. Tindol

Joan Bagnall
Joan Bagnall, Attorney-in-Fact



Fireman's
Fund

COPY

Surety Bond
Increase Or Decrease Penalty Rider

Premium \$

Description of Bond Water License Security Bond

Bond No. 11133538246

Know all men by these present that we CANZINCO LTD

and FIREMAN'S FUND INSURANCE COMPANY Principal
in favor of HER MAJESTY IN RIGHT OF CANADA Surety
Do hereby jointly and severally change the penal amount of this bond from _____ On fee

Four Million and No/100 dollars (\$4,000,000.00) \$10
Five Million and No/100 dollars (\$5,000,000.00) 1
effective from the 1st day of October 2001

The continuity of coverage under said bond subject to changes in penalty shall not be impaired hereby provided that the aggregate liability of the said Principal and Surety shall not exceed the amount of liability assumed at the time the act and/or acts of default were committed and in no event shall such liability exceed the larger of the above mentioned sums.

Signed and sealed this 31st day of August 2001

ACCEPTED

The above is hereby agreed to and accepted

Her Majesty in Right of Canada
OBEDICE
By [Signature] Dir, Ops. NRO
Attest [Signature] Mgr. Water Res. NRO

CANZINCO LTD
By [Signature] PRINCIPAL
By [Signature] TREASURER
By [Signature] FIREMAN'S FUND INSURANCE COMPANY
By [Signature] AGENT IN FACT