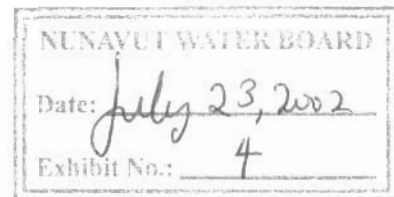


Breakwater Resources Ltd.

2000-95 Wellington Street West
Toronto, Ontario, Canada M5J 2N7
FAX (416) 363-1315 Tel. (416) 363-4758



September 12, 2001

Mr. Philippe di Pizzo
Executive Director
Nunavut Water Board
P.O. Box 119
Gjoa Haven, Nunavut
XOE 1J0

Original By Priority Post

Subject: Security Deposit - Licence NWB1NAN9702

Dear Mr. Di Pizzo,

Attached is the document supporting the scheduled increase, effective October 1, 2001, of \$1 million in the value of the bond, currently \$4 million, being our security deposit for the water licence for our Nanisivik Mine.

The document, the "Surety Bond - Increase or Decrease Penalty Rider", is in duplicate as our underwriter, Fireman's Fund ("the Surety") requires the Water Board, as "Obligee", to sign and return one copy as acknowledgement of the increase in the amount of the Bond.

Accordingly, please return one signed copy of the document to our broker, Aon Reed Stenhouse, who will forward it on to the underwriter; their address is :

Aon Reed Stenhouse Inc.
20 Bay Street,
Toronto, Ontario
M5J 2N9
Attention: David Jennings, Vice President

I am faxing you an advance copy to enable you to review the wording of the rider prior to receipt of the original signature copy. Should you have any questions, please do not hesitate to call.

Yours very truly,

A handwritten signature in dark ink, appearing to read "N. Calder".

Norman L. Calder
Treasurer

SEP 13/01

Attachment: Security Bond #11133538246 - Endorsement thereto

cc. Nunavut Water Board, by fax (867) 360-6369
cc Ronald K. Light, General Manager, Nanisivik

COPY

**Surety Bond
Increase Or Decrease Penalty Rider**

Premium \$ _____

Description of Bond Water License Security Bond Bond No. 11133538246Know 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 _____ Obligee,

Four Million and No/100 dollars (\$4,000,000.00) to
Five Million and No/100 dollars (\$5,000,000.00).
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:

OBLIGEEBy: _____
TITLEAttest: _____
TITLE

CANZINCO LTD.

By: _____

FIREMAN'S FUND INSURANCE COMPANY

By: _____

Joan Bagnall

ATTORNEY IN FACT

**NATIONAL SURETY CORPORATION
THE AMERICAN INSURANCE COMPANY**

FIREMAN'S FUND INSURANCE COMPANY

**ASSOCIATED INDEMNITY CORPORATION
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 . Burke, Dan W. Burton, Judy A. Etheredge, Michael J. Herrod, Karen M. Kellner, endy W. Stuckey, Lupe Tamayo, Patti A. Ebarb, Jennifer Spencer, Lisa M. Loeffler, ngela M. Tindol, Carolyn Sheffield or Margaret Buboltz 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 each of the Companies 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 each of the Companies 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 these presents to be signed by their Vice-President, and their corporate seals to be hereunto affixed this 12 day of October, 2000.



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

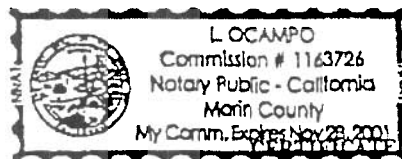
STATE OF CALIFORNIA } SS.
COUNTY OF MARIN

By Donn R. Kolbeck
Vice-President

On this 12 day of October, 2000, before me personally came Donn R. Kolbeck 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.

STATE OF CALIFORNIA } SS.
COUNTY OF MARIN



[Signature]
Notary Public

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 31st day of August, 2001.



[Signature]
Resident Assistant Secretary