



Ottawa, Canada K1A 0H4

APR 11 2003

Mr. Colin K. Benner
President and Chief Executive Officer
CanZinco Ltd.
c/o Breakwater Resources Ltd.
95 Wellington Street West, Suite 2000
TORONTO ON M5J 2N7



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Dear Mr. Benner:

This is in response to your letters of January 23 and March 12, 2003, regarding security requirements under Water Licence NWB1NAN0208.

As you are aware, I have approved this water licence in its entirety. The approval was given pursuant to, and in conformity with, section 56 of the *Nunavut Waters and Nunavut Surface Rights Tribunal Act* – a provision and an Act which were readily available to the licensee, and also to the licensee's legal counsel. Having been so approved, the licence is fully binding as is each of the terms within it. The statement, in licence item B(2), that the licensee is to furnish security in the amount of \$17.6 million, is a binding requirement. It is not a mere suggestion from the Nunavut Water Board. The amount cannot properly be the subject of negotiations between the licensee, departmental officials and me.

It is my understanding that the preparation of the water licence was preceded by a public hearing, a technical meeting, and written submissions, and that, via these procedures, the licensee not only had extensive opportunities to present its evidence and views, but also availed itself of those opportunities. If, nevertheless, you were or are of the opinion that the process or the result was in some way flawed, you were/are at liberty to seek recourse by any route available under the law. Furthermore, pursuant to items G(21) and B(3) of the licence, if previously undiscoverable information emerges the licensee will have a periodic opportunity to incorporate that information into a revised estimate of restoration liability. Please note, however, that unless and until the security posting requirements of the licence's Part B are altered by an authority with appropriate jurisdiction, they are in force and binding.

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Despite the fact that CanZinco requested and was granted an extension of the security posting deadline, and despite the passage of the extended deadline, most of the security required of CanZinco has yet to be furnished. CanZinco must forthwith post any portion of the \$17.6 million that remains outstanding.

I understand that you have been in discussions with Indian and Northern Affairs Canada officials on the forms of security that would have a lesser impact on your cash reserves. These officials do indeed have authority to deal with matters of security on my behalf.

Given the foregoing, I must decline to meet with CanZinco representatives to discuss the matters raised in your letters. The onus is on CanZinco to comply with the terms of the water licence.

Thank you for bringing this matter to my attention.

Yours sincerely,

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ORIGINAL - 11 OCT
ROBERT D. NAULT

Robert D. Nault, PC, MP

c.c.: Nunavut Water Board