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**BREAKWATER RESOURCES LIMITED**

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*via Email*

March 31, 2005

Mr. Philippe di Pizzo  
Executive Director  
Nunavut Water Board  
P.O. Box 119  
Gjoa Haven, NU X0E-1J0

Dear Mr. di Pizzo:

**Re: Nanisivik Mine - Reclamation of K-Baseline Area**

As you are aware, the Final Reclamation and Closure Plan ("the Plan") for Nanisivik Mine was approved by the Nunavut Water Board in July 2004. The schedule included therein showed active construction (deconstruction) during 2004/2005. Despite a rather late start in 2004, which coincided with the shipping season, a significant amount of work was completed prior to the onset of winter. This included portions of the following:

- development of shale quarries
- dewatering, contouring and covering of the tailings impoundment with thermal barrier
- demolition of townsite homes
- removal of surplus equipment and shipment South
- demolition of the interior walls /floors in the concentrator and removal of all processing equipment for salvage or disposal
- shipment of PCB wastes to an approved disposal facility
- in-filling of open pits
- haulage of waste material underground for disposal

With the return of longer days upon us, we are now mobilizing the work crews for the 2005 construction season. One of the many areas, to be addressed by the crew this year, is the former K-Baseline garage area where hydrocarbon contaminated soils have been identified. The proposed (and approved) reclamation method for the K-Baseline site, involves the excavation and haulage of an estimated 7,400 cubic metres of soil to the underground workings via the East Adit (Section 7.3.5 of the Plan).

On checking the ground conditions at the East Adit entry (part of the preparation for the 2005 construction season) we are advised that an extensive ice lens has formed inside the travel-way preventing any access. An evaluation of alternatives has been undertaken that has included the technical guidance of Gartner Lee Ltd. (letter attached). It appears as though an appropriate alternative would be to handle the material in its frozen state and to place it in the deeper recesses of the East Open Pit (abutting the high wall). It would then be covered with waste rock and a thermal layer of shale material to prevent thaw and mitigate possible migration of hydrocarbons. This method would therefore provide the same level of long term environmental protection as originally proposed (i.e. utilizing demonstrated thermal behaviour at the Nanisivik site). However, in keeping with the terms of the NWB approval letter (Condition 16) we are notifying the Water Board of the modification and requesting authorization to proceed.

As a general statement, while this is the first such modification proposal we have filed with the Board , we anticipate that there is likely to be others as we proceed with the diverse and wide-ranging tasks that come with the decommissioning of the Nanisivik project. However, the hallmark of our success in building Nanisivik 30 years ago (the first such project in the Arctic), and operating it successfully until 2002, has been our ability to adapt to the unforeseen.

The Water Board's continued support of the project is essential as we complete this final stage. We will endeavour to provide you with as much notice as possible in every instance where an approval for a modification is requested, but trust that you appreciate the diminishing window of construction which we are working within and the necessity for your earliest review. As always, should you wish additional information or consultation on this matter, I can be reached at 416-363-4798.

Thank-you in advance for your assistance, Philippe.

Yours sincerely,  
*Original signed by:*

Robert Carreau  
Corporate Manager, Environmental Affairs