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**David H. Searle, C.M., Q.C.**  
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October 29, 2002  
File No.: BRE00084

**VIA FACSIMILE**

Nunavut Water Board  
P.O. Box 119  
GjoaHaven, NU X0B 1J0  
Canada

**Attention: Mr. Thomas Kudloo**  
**Chairman**

Dear Sirs/Mesdames:

**Re: Licence NWB1NAN0208 – Closure and Reclamation of the Nanisivik Mine,  
Nunavut**

We act for CanZinco Limited, for whom the writer appeared at the public hearing at Artic Bay from 22nd – 24th July, 2002.

We are in receipt of Licence NWB1NAN0208 dated October 10, 2002 and note that Clause 2 of Part B of the Conditions of Licence require that the licensee, within 30 days of the issuance of the licence, furnish and maintain security in the amount of \$17.6M in the form and nature in accordance with the Regulation or that is satisfactory to the Minister. We also have the Reasons for Decision dated October 23, 2002, from which we note several references to the applicant's failure to post the additional \$1.0M of security required by July 31, 2002.

What was not before the Board at the time of the writing of the Board's decision was the considerable effort being expended to negotiate the form of security satisfactory to DIAND to cover the outstanding \$1.0M. Unfortunately, those discussions are just now concluding. As evidence of that, we enclose herewith the following:

1. A letter from Stephen Traynor, Director, Operations, INAC, Nunavut Regional Office directed to Rene R. Galipeau, Executive Vice-President of CanZinco, dated October 18, 2002.

COMM/BRE00084/719951.1

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2. Letter from Rene R. Galipeau, Executive Vice-President of Breakwater Resources Ltd. to Mr. Stephen Traynor dated October 28, 2002.

An examination of the enclosed letters should satisfy your Board that the outstanding \$1.0M security issue will be resolved to the satisfaction of the Minister.

On behalf of my client, CanZinco Limited, we offer our sincere apologies for the length of time this has taken and for the fact that we could not have completed these negotiations prior to the July deadline.

With the foregoing in mind, CanZinco Limited is now turning its attention to studies and other matters that are outstanding and required to be filed, not the least of which is the requirement to post security in the total amount of \$17.6M within 30 days of issuance of the licence. We assume that the licence issues when it is signed by the Minister.

Whatever its date of issue, it is our client's sincere wish not to be in default. A period of 30 days, however, is woefully short, bearing in mind that the Board's reasons for decision did not issue until October 23, 2002.

The purpose of this letter, therefore, is to request an extension of time, specifically an additional 30 days, for a total of 60 days, in order that meetings might take place between counsel and our client (scheduled for Saturday, November 2, 2002) following which a more comprehensive submission to the Board may be forth coming.

Yours truly,

**FASKEN MARTINEAU DuMOULIN LLP**

A handwritten signature in black ink, appearing to read "David H. Searle".

David H. Searle, C.M., Q.C.

DHS/pmw  
Encls.



Indian and Northern  
Affairs Canada  
www.inac.gc.ca

Affaires Indiennes  
et du Nord Canada  
www.aic.gc.ca

Nunavut Regional Office  
P.O. Box 2200  
Iqaluit, NU, X0A 0H0

Your file - Votre référence  
**NWBINAN9702**  
Our file - Notre référence

October 18, 2002

René R. Gagné  
Executive Vice President  
CanZincco Ltd.  
P.O. Box 26  
Bathurst, NB, E2A 3Z1

Sent by fax to:  
(506) 548-1100

Re: Security Installment Required by Water Licence NWBINAN9702  
(Nanisivik Mine)

The Department of Indian Affairs and Northern Development (DIAND) has received your proposal letter dated August 20, 2002, concerning the \$1.0 million security installment required by Nanisivik Mine's water licence NWBINAN9702. In this letter, CanZincco Ltd. (CanZincco) proposes to provide a promissory note secured by the assignment of fuel that is available on site. Also, should the value of the fuel ever decrease below \$1.0 million, CanZincco undertakes to replace the fuel with cash so that the total amount is never less than \$1.0 million.

For several weeks, DIAND has been giving the proposal and overall situation very serious consideration and evaluating the implications of such a proposal to the Crown. In the interim, it has come to our attention that Breakwater has sent a letter to the Water Board proposing to guarantee CanZincco's security requirements for this proposed new licence. Given this new development, DIAND asks you to reconsider your proposal and consider a similar proposal of a Breakwater Guarantee for the outstanding \$1.0 million security.

If you have any concerns or questions, please feel free to contact me.

Sincerely,

Stephen T. Taylor  
Director, Operations  
INAC - Nunavut Regional Office  
P.O. Box 2200, Iqaluit, NU, X0A 0H0  
(867) 975-4346  
fax: (867) 975-4560

Canada

**BREAKWATER RESOURCES LTD.**

95 Wellington Street West, Suite 2000, Toronto, Ontario M5J 2N7  
Tel: (416) 963-4796 Fax: (416) 363-1315

October 28, 2002

Mr. Stephen Traynor  
Director, Operations  
Nunavut Regional Office  
Indian and Northern Affairs Canada  
Qimugjuk Building 888  
2nd Floor  
P. O. Box 2200  
Iqaluit, Nunavut  
X0A 0H0

By Fax to: (867) 975-4560

Dear Stephen:

I am in receipt of your letter dated October 18, 2002 dealing with our offer of an alternative form of security to be posted, pursuant to Water License NWB1NAN9702. In response to your suggestion, please accept this as written confirmation that Breakwater Resources Ltd. is prepared to guarantee the final instalment of \$1.0 million in accordance with the terms of that Water License. Much like the commitment extended to the Water Board to which you make reference, this will be a written guarantee only and will not necessitate any further action on our part. If you find this to be acceptable can you please confirm your acceptance as soon as possible in order that we can notify the Nunavut Water Board of our agreement and assure them that we are no longer in a position of non-compliance.

Thank you for your ongoing support and assistance and we look forward to your positive response.

Yours truly,

**BREAKWATER RESOURCES LTD.**



Rene R. Galipeau  
Executive Vice President

cc: Colin K. Benner  
William M. Heath