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June 13, 2003

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

Dear Mr. di Pizzo:

Re: Reclamation Activity at Nanisivik Mine During 2003

In its letter of January 23, 2003 the Nunavut Water Board ("NWB") approved a timetable of 14 submissions required by CanZinco Ltd. ("CanZinco") under Water License NWB1NAN0208 – Nanisivik Mine. The submissions will generally comprise the supporting studies and documentation for the culmination of the *Final Closure and Reclamation Plan*, which is due by December 15, 2003. With approval from the NWB anticipated in the first quarter of 2004, CanZinco would then put the Plan into action.

Prior to receiving final approval, however, and initiating the major reclamation campaign in 2004, there are several precursor activities at the site which could proceed this summer (2003). All of which, we believe, would enhance the reclamation process by advancing the schedule to address the remaining environmental liabilities. Specifically, the following activities are proposed for your consideration:

1. **Quarrying and stockpiling material for closure covers.** An estimated 600,000 cubic metres of cover material will be required for the surface tailings areas, the Open Pits and the landfill. Advanced quarrying of this material could commence this year utilizing existing equipment and local manpower. Quarry permits are currently held for the shale borrow pits (both DIAND and GN permits) and will be renewed as required. Restoration of the borrow areas will not occur until 2005 and will be detailed in the supporting documentation required for the *Final Closure and Reclamation Plan*.
2. **Contouring of the tailings surface in preparation for application of the closure cover.** There are several areas of the surface tailings pond which require contouring prior to the application of the closure cover. The accelerated closure of the mine (and subsequently the tailings area) resulted in a shortfall of production tailings anticipated in the Tailings Disposal Plan to achieve the final desired contours. Consequently, there are several locations on the Surface Cell which are either above or below the required grades to provide adequate drainage and prevent the pooling of water. Contouring of the surface would include pushing tailings with earth moving equipment. Any areas where tailings are exposed to the potential of wind transport during this exercise would be covered with shale. This work could take place utilizing existing equipment and locally available manpower. All work will

proceed under the consultation of our Geotechnical Engineer and will be included in the supporting documentation required for the Final Closure and Reclamation Plan.

3. **Disposal of non-hazardous material underground, in the Open Pits or at the landfill site.** A limited amount of equipment and supplies which were kept in inventory during operations are now identified as having no economic value and can be disposed of at the site. Proposed material for immediate disposal can be described as environmentally benign and includes steel and steel fabrications, dunnage timber, wooden pallets, plastic and rubber components (tires, conveyors). Derelict mobile equipment and other production equipment which contains or has contained free phase materials (hydrocarbons, glycols) will be not be disposed of as part of this exercise but will be addressed as part of the *Final Closure and Reclamation Plan* supporting documentation. Consistent with past practice we would dispose of non-hazardous materials in the Open Pits, underground and in the landfill. Photo-documentation would be carried out in consultation with the Community Liaison Coordinator in Arctic Bay.
4. **Waste rock recovery and disposal in the Open Pits or underground.** Of the 188,000 cubic metres of surface waste rock reported in 1999, an estimated residual volume of 58,000 cubic metres remains to be recovered and disposed of. Targeted recovery areas for 2003 would be limited to the 09-South and 39-North rock piles which contain 75% of the remaining inventory (estimated volumes of 7,571 and 36,180 cubic metres respectively). Recovery of this waste rock would be a continuation of past practices utilizing simple excavation and haulage techniques (as opposed to recovery of the 02-South waste rock which has encroached on the Creek and will involve further technical consideration). Final reclamation of these areas will not occur until 2004 and 2005, and will be detailed in the supporting documentation of the *Final Closure and Reclamation Plan*. Excavation and haulage of this material would utilize existing equipment and locally available manpower.
5. **Dismantling the industrial complex ("mill building") for shipment off-site.** CanZinco is in the process of negotiating terms for the sale of the industrial complex assets. The transaction, as it currently stands, would include the entire building infrastructure and its contents, comprised of the mill, power plant, heavy equipment garage, wash bay, warehouse and administration offices (the DMS plant is being considered separately at this time and is excluded from this sale). The entire steel structure would be dismantled in a logical and orderly fashion with the intention of re-erecting the complex at another location. The structure and all equipment will be pressure cleaned before dismantling and will then be staged to the dock area before being shipped off site (in the same fashion as equipment has been shipped out in the past). The volume of residual demolition debris is estimated to be less than 1,000 cubic metres and will be made up of concrete block (dividing walls), concrete slab (mezzanine flooring), gyprock sheeting, ceiling materials, insulation, etc. The demolition debris would be transported to the open pit or underground for disposal. The remaining foundation cavity, concrete footwalls and flooring, would be infilled during 2003 and final reclamation of the area will not commence until 2004 as detailed in the supporting documentation of the approved *Final Closure and Reclamation Plan*.

These above listed activities can be seen as either a continuation of past practices, or preparatory/interim steps towards the final decommissioning and reclamation of the site, or both. Pending approval of the Closure Plan in 2004, we would expect to initiate the full-scale reclamation at Nanisivik at some point during that year. With this considered, the summer 2003 activities take advantage of the waiting period and make efficient use of the available equipment and manpower to advance the project to the shared benefit of all stakeholders. Not the least of whom are the citizens of Arctic Bay who have expressed their concerns on several occasions to proceed with reclamation as quickly as possible while continuing to provide the benefits of employment to their residents. These concerns were voiced most recently and succinctly at a meeting of the Strathcona Sound Monitoring Committee ("SSMC") in Iqaluit on June 6th

which representatives from both CanZinco and Arctic Bay attended (along with representatives from NTI, DIAND, HRDC, QIA and GN).

We would also point out that while attending the SSMC meetings in Iqaluit, Bill Heath and myself met with DIAND representatives (Stephen Traynor and Carl McLean). The above listed activities were discussed as they pertain to DIAND's role in the regulatory process as land managers at Nanisivik. We felt this preliminary discussion was warranted (prior to advancing this formal request to the NWB) due to concerns expressed by DIAND in 2002 about progressive reclamation activities at the site. At the closing of our meeting, having discussed the general concepts presented herein, we were advised by DIAND that pending a formalized request with additional detail, the proposal "made sense" and our objectives were not in conflict.

In closing, as always, should you wish to discuss this or any other matter relating to the Nanisivik closure, please feel free to contact Bill Heath, or myself, directly.

Yours sincerely,
Original signed by:

Robert Carreau
Corporate Manager, Environmental Affairs - Breakwater Resources Ltd.

cc. Bill Heath, Vice President, CanZinco Ltd.
Carl McLean, Manager Land Administration, DIAND
Bernie MacIsaac, Government of Nunavut