

ECHO BAY MINES LTD

Lupin Operations

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Bill Danyluk

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May 25, 2001

Indian and Northern Affairs Canada
Water Resources Division
Box 1500
Yellowknife, NT
X1A 2R3

Attention: David Milburn
Manager

Dear Mr. Milburn:

RE: **Security Deposits for Echo Bay Mines Water Licences**
Lupin Mine (NWB1LUP0008) and Ulu Mine (NWB2ULU9700)

This letter is in reply to your letter dated April 30, 2001 and the matter of scheduling the payment of reclamation security for the Lupin mine. Echo Bay Mines Ltd. ("EBM") recognises DIAND's need to protect the interest of the Crown, but believe it is important for DIAND to acknowledge what has been stated by the Nunavut Water Board ("NWB") in respect of instalment payments. At page 31 of the decision in the subject license matter, the NWB clearly states that, "...the Board does believe the security should be paid in instalments so that the security expenditures can somewhat be synchronized with the operations of the mine. The Board asks DIAND to reach agreement with EBM on the instalment schedule."

For EBM, the above quoted language should mean precisely what it says, namely, that we must reach consensus as to what is required. We believe EBM has at all times attempted to act in a way that meets the needs of the public interest, as well as those of its shareholders. We would like to continue to do so and it is our intention that this be accomplished on an ongoing, collaborative basis.

For your information, we are enclosing a copy of the application just filed by EBM with the NWB, seeking an amendment to the subject license. Of particular relevance are two statements quoted (see page 7 of the formal application for amendment) which enunciate government policy in a way that attempts to balance public and private interests. We

applaud the Government of Canada for adopting this policy and we believe it entirely consistent with the language quoted from page 31 of the NWB decision.

We wish to continue to work with DIAND to reach a timely resolution regarding the amount and schedule for posting security. We ask that you defer any further action pending such additional determinations as may be made by the NWB.

If you have any questions, comments or require additional information, please contact me at your earliest convenience at (780) 890-8777.

Yours truly,

Bill Danyluk
General Manager
Lupin Operations

cc Mr. Thomas Kudloo, Chairman, Nunavut Water Board
 Mr. Philippe di Pizzo, Executive Director, Nunavut Water Board