

ECHO BAY MINES LTD.

1210 Mainville Place, 10180 - 101 Street
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July 27, 2000

Renewable Resources and Environmental Directorate
Water Resources Division
Regulatory Approval Section
Indian and Northern Affairs Canada
P.O. Box 1500
Yellowknife, NWT
X1A 2R3

Via Facsimile: (867)669-2716

ATTENTION: David Milburn, Manager

Dear Sir:

RE: Nunavut Water Board ("NWB")
License Numbers: NWB1LUP0008 (the "Lupin License")
NWB1ULU0008 (the "Ulu License")

Echo Bay Mines Ltd. ("EBM") has received your letter dated July 26, 2000.

EBM agrees to the following:

1. With respect to the Lupin License, EBM will provide to the Minister of Indian and Northern Affairs Development (the "Minister") \$2,920,000 in security, by way of irrevocable letter of credit from a Canadian chartered bank.
2. Forthwith upon receipt of the letter(s) of credit, the Minister will return to EBM the \$1,000,000 which was posted by EBM in the form of cash as security under Water License N7L2-0925 for the Lupin mine.
3. With respect to the Ulu License, EBM will provide to the Minister \$250,000 in security, by way of an irrevocable letter of credit from a Canadian chartered bank.
4. Forthwith upon receipt of the letter of credit, the Minister will return to EBM the \$250,000 which was posted by EBM in the form of cash as security under Water License NWB2ULU 9700 for the Ulu mine.

EBM is committed to working with the Department of Indian and Northern Affairs ("DIAND") to finalize the terms contained in the irrevocable letters of credit so that they are acceptable to both the Minister and to EBM's financial institution. However, EBM recognizes that this process is unlikely to be completed by July 31, 2000, and both the Lupin License and the Ulu License stipulate that the first installment of security is to be provided no later than 30 days after issuance of these Licenses. **Therefore, EBM is copying this letter to the Executive Director of the NWB and asks that he acknowledge that EBM will not be treated as being out of compliance with Schedule II, Part III, of the Lupin License or the Ulu License, notwithstanding that the irrevocable letters of credit will not be furnished by July 31, 2000.**

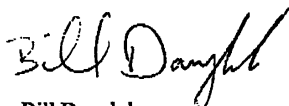
Both the Lupin License and the Ulu License stipulate in Schedule III that security is to be submitted to the attention of the Licensing Administrator of the NWB. DIAND, in its letter of July 26, indicates that security should be submitted to the Minister. **Therefore, EBM asks the Executive Director of the NWB to acknowledge that security may be provided to the Minister and not to the Licensing Administrator.**

The Executive Director of the NWB may indicate these acknowledgements by signing the bottom of this letter and returning it to my attention.

Although EBM is committed to furnishing the first installment of security as soon as the terms of the irrevocable letters of credit are finalized, we want to make it clear that EBM disagrees with the security amount set for the Lupin mine and we are reserving all our rights, including our right to seek an amendment of the Lupin License in respect of the amount of the security. We also disagree with the restrictions placed upon the acceptable form of security in both the Lupin License and the Ulu License and we reserve all our rights in that regard as well.

We look forward to a response from DIAND and to the acknowledgements requested as soon as possible.

Yours truly,



Bill Danyluk
Mine Manager

cc: Licensing Administrator, Nunavut Water Board (Via Facsimile: (867)360-6369)
Executive Director, Nunavut Water Board (Via Facsimile: (867)360-6369)

I, the Executive Director of the Nunavut Water Board, hereby acknowledge the following:

1. EBM will not be treated as being out of compliance with Schedule II, Part III, of the Lupin License or the Ulu License as a result of the irrevocable letters of credit, referred to above, not being furnished by July 31, 2000; and
2. EBM may furnish security for the Lupin mine and the Ulu mine to the Minister and not to the Licensing Administrator, notwithstanding that Schedule III of both the Lupin License and the Ulu License stipulates that the security is to be furnished to the Licensing Administrator.

Executive Director
Nunavut Water Board