



March 27, 2002

To:  
Stephanie Briscoe, Executive Director  
Nunavut Impact Review Board  
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RE: Screening Of The Closure And Reclamation Plan For The Nanisivik Mine.

Dear Ms. Briscoe:

Further to our letter dated March 25, 2002, NTI would like to add the following concerns and commentary.

Despite the incompleteness of the Nanisivik Mine A&R report, there are issues of immediate concern that should prompt NIRB to move forward on the review of the Nanisivik Mine A&R proposal.

On the March 22, 2002, the Nunatsiaq News published an article regarding the financial health of Breakwater Resources, the parent company of CanZinco Ltd., which owns Nanisivik Mine. The article suggest that Breakwater is in financial difficulty, and though not stated, the implication could be that these difficulties may impact on their ability to fund the Nanisivik reclamation process. A copy of the article is attached.

In light of the concerns that may develop from this announcement, it would be productive to commence the review process of the A&R reclamation plan, while still requiring Nanisivik to finalize the documentation required for the A&R plan

In addition, it may be suggested to Nanisivik to address the issue of the financial obligations to the reclamation process and their ability to meet them for the residents of the area and all others concerned.

This could be accomplished by establishing the following:

- 1) The estimated cost of the reclamation process.
- 2) The ability of Breakwater to meet those financial obligations.
- 3) The current level of security deposit for the reclamation.

We hope that the issue of the financial responsibility and security deposit can be addressed through the NIRB and NWB processes, to the satisfaction of all concerned groups.

Sincerely

*Stefan B. Lopatka M.Sc.A.*

**SENIOR ADVISOR**

**Environment, Water and Marine Management**

**DEPARTMENT OF LANDS AND RESOURCES**

**NUNAVUT TUNNGAVIK INCORPORATED**

March 22, 2002

## Nanisivik's owner loses \$111.1 million in 2001

*Can Breakwater survive to complete Nanisivik clean-up?*

### **Nunatsiaq News**

Breakwater Resources, the Toronto-based company that owns Nanisivik's dying mine, took a brutal financial hit in 2001, losing a whopping \$111.1 million on net revenue of \$161.8 million.

In 2000, when world zinc prices began to slide, Breakwater lost \$8.7 million.

The cash-strapped company released its financial statements for 2001 early this month.

A company statement says Breakwater is expected to keep its head above water until the end of 2002, but after that, its future is uncertain.

To find enough cash to operate this year, Breakwater negotiated a new loan agreement with its lenders, and will soon launch a \$15-million share offering.

The company is predicting that zinc prices, now at 35¢ a pound, will rise to about 43¢ a pound in the three months from July to September 2002, and then rise to 45¢ a pound until December.

If that doesn't happen, the company could be in trouble.

"It is uncertain whether or not the amount of financings will be adequate to bridge the period until metal prices recover," a company statement says.

Breakwater is expected to pay a large share of the cleanup costs for the mine-site at Nanisivik, which will close when the last of the ore body is shipped out this summer.

The company is expected to soon submit a clean-up plan to regulators.

In its last annual report, the company estimates that its share of the Nanisivik clean-up will come to about \$11.455 million.

That could change, however, if the territorial government and the community of Arctic Bay are able to find an alternative use for the buildings and other infrastructure at the site.