

CONFIRMATION OF LIMITED ENVIRONMENTAL LIABILITY AGREEMENT

THIS CONFIRMING AGREEMENT made this 13th day of ~~May~~^{June}, 2007.

BETWEEN: **HER MAJESTY THE QUEEN IN RIGHT OF THE PROVINCE OF NEW BRUNSWICK**, as represented by the Minister of Natural Resources (hereinafter referred to as the "Minister"),

AND: **BLUE NOTE MINING INC.**, a body corporate, incorporated under the laws of the Canada and having an office in Montreal Quebec, (hereinafter referred to as "BNT"),

AND: **BLUE NOTE CARIBOU MINES INC.**, a body corporate, incorporated under the laws of the Canada and having an office in Bathurst, New Brunswick, (hereinafter referred to as "BN Caribou")

WHEREAS:

- a) BNT (formerly Blue Note Metals Inc.) is the owner of the Caribou Mine (the "Mine"), more particularly described in Schedule A hereto;
- b) BN Caribou is a wholly owned subsidiary of BNT;
- c) BNT has agreed to Transfer to BN Caribou, among other things, the Mine (the "Transfer");
- d) By virtue of a Limited Environmental Liability Agreement dated as of July 31, 2007, between the Minister and BNT (the "Agreement"), the Minister and BNT agreed to the matters set out in the Agreement, a copy of which is attached hereto as Schedule B hereto;
- e) The parties hereto wish to set out the terms under which the items covered by the Agreement aforesaid shall be dealt with following the Transfer.

NOW THEREFORE in consideration of the Minister consenting to the Transfer and the mutual covenants and agreements herein contained, the parties hereto respectively covenant and agree as hereinafter set out.

- 1. BN Caribou hereby undertakes to and agrees with the Minister that upon the occurrence of the Transfer, it shall be deemed to be a party to the Agreement and bound to all of the terms, conditions and obligations thereunder as though it had been an original party to the Agreement.

2. BNT hereby undertakes to and agrees with the Minister that upon the occurrence of the Transfer, it shall continue to be bound as a party to the Agreement by all of terms, conditions and obligations thereunder and that nothing herein shall be construed as a release of BNT by the Minister of any of its obligations under the Agreement.
3. This Agreement shall be governed by and interpreted in accordance with the laws of the Province of New Brunswick and the laws of Canada applicable therein. The parties hereby attorn to the jurisdiction of the courts of the Province of New Brunswick.
4. Time shall be of the essence of this Agreement.
5. This Agreement shall enure to the benefit of and shall be binding upon the parties hereto and their respective heirs, successors and assigns.
6. Any written notice or communication will be deemed to be given if delivered in a manner which permits the sender to prove the delivery to the address of the addressee as set out below (or to any such other address the addressee may have made known to the sender):

To the Minister:

Department of Natural Resources
P.O. Box 6000
Fredericton, NB
E3B 5H1

To BNT:

Blue Note Mining Inc.
1 Place Ville Marie, Suite 2125
Montréal QC H3B 2C6

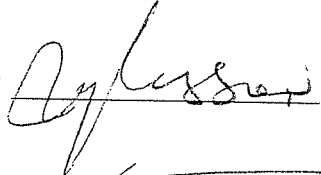
To BN Caribou:

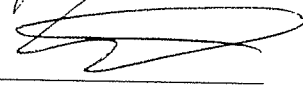
Blue Note Caribou Mines Inc.
9361 Route 180, PO Box 26
Bathurst NB E2A 2Z1

7. No waiver shall be binding upon any party hereto unless it is reduced to writing and signed by the party so waiving.

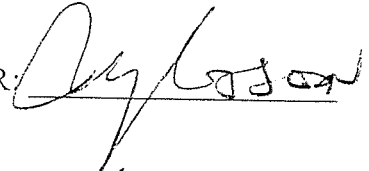
IN WITNESS WHEREOF the parties hereto have executed these presents the day and year first above written.

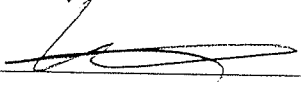
BLUE NOTE MINING INC.

PER: 

PER: 

BLUE NOTE CARIBOU MINES INC.

PER: 

PER: 

SCHEDULE "A" to the
Confirmation of Limited Environmental Liability Agreement
made between Her Majesty the Queen in Right of the
Province of New Brunswick, Blue Note Mining Inc. and
Blue Note Caribou Mines Inc., dated May_____, 2007.

1. Mining lease number 246
2. Crown Grant # 35,003 dated December 19, 1969 Registered in the Restigouche County Registry Office on December 29, 1969 in Book 135, pages 689 to 690 as document number 72754
3. Crown lease of crown land used in conjunction with mining lease # 246
4. Together with all fixtures and other equipment and chattels used in conjunction with mining lease 246
5. Together with all mining claims associated with mining lease 246.

SCHEDULE "B" to the
Confirmation of Limited Environmental Liability Agreement
made between Her Majesty the Queen in Right of the
Province of New Brunswick, Blue Note Mining Inc. and
Blue Note Caribou Mines Inc., dated May _____, 2007.

LIMITED ENVIRONMENTAL LIABILITY AGREEMENT

THIS AGREEMENT made this 31st day of July, 2006.

BETWEEN: HER MAJESTY THE QUEEN IN RIGHT OF THE
PROVINCE OF NEW BRUNSWICK, as represented by the
Minister of Natural Resources (hereinafter referred to as the
"Minister"),

AND: BLUE NOTE METALS INC., a body corporate, incorporated
under the laws of the Canada and having an office in Montreal
Quebec, (hereinafter referred to as "BNMI"),

WHEREAS:

- a) CanZinco is the owner of the Caribou Mine (the "Mine"), more particularly described in Schedule A hereto;
- b) CanZinco is a wholly owned subsidiary of Breakwater Resources Ltd. (BWR) and was formerly known as "East West Caribou Mining Limited" ("East West");
- c) CanZinco has agreed to sell and BNMI has agreed to purchase the Mine;
- d) By virtue of an agreement between the Minister and East West, and BWR dated August 16, 1995, (the Agreement) the Minister and East West to the matters set out in the Agreement aforesaid (a copy of which is made Schedule B hereto);
- e) The parties hereto wish to set out the terms under which the items covered by the Agreement aforesaid shall be dealt with upon the transfer of the Mine from CanZinco to BNMI;
- f) The Minister is duly authorized by Order-in-Council number 2006-263 dated June 29, 2006, made pursuant to section 6 of the *Mining Act*, to enter into this agreement and modify the Agreement aforesaid.

NOW THEREFORE in consideration of the mutual covenants and agreements herein contained, the parties hereto respectively covenant and agree as hereinafter set out.

DEFINITIONS

1. In this Agreement,
 - a) "Agreement" means the Agreement between the Minister on the one hand, and East West and BWR on the other, dated as of August 16, 1995 and made Schedule B hereto.
 - b) "Consumer Price Index" means the All Items Consumer Price Index (less energy) compiled and published by Statistics Canada as it applies to the City of Fredericton, New Brunswick.
 - c) "Debenture Security" means the \$7,500,000.00 debenture issued by Caribou New Brunswick Mining Limited on May 27, 1988 and referred to in the Agreement.
 - d) "Historical Cap" means \$3,000,000 in lawful money of Canada adjusted yearly to the Consumer Price Index.
 - e) "Historical Reclamation Liability" means any environmental liability of any kind, howsoever imposed, including reclamation work, rehabilitation work, remediation work and other environmental work of any nature or kind, arising out of any exploration, development, production or other activities undertaken at or in connection with the Mine at any time prior to the year October 29, 1993, all as set out in the Reclamation Plan (defined below), but shall not include reclamation of the Caribou pit and those portions of the Caribou closure water treatment costs excluded from historical reclamation in the Reclamation Plan.
 - f) "Leases" means mining leases numbered 246 and 255 which are the subject of the Transfer from CanZinco to BNMI.
 - g) "Mine" has the meaning given to it in the recitals and under the *Mining Act*, S.N.B. 1985, Chapter M-14.1.
 - h) "New Security" means cash, bond, letter of credit or such other security as the Minister and BNMI may agree, acting reasonably.
 - i) "Reclamation Plan" means the Programs for the Protection, Reclamation and Rehabilitation of the Environment submitted by BNMI to, and approved by the Minister July, 31, 2006 as amended from time to time.

DISCHARGE AND RELEASE OF ENCUMBRANCES AND OF BNMI

2. Upon the transfer of the Mine from CanZinco to BNMI, the Minister shall forever discharge, release and remise BNMI from any liability or obligations that it would

otherwise have in respect of the Agreement, including without limitation the Net Smelter Return Royalty set out in part 9 and schedule "B" to the Agreement and agrees to take all such steps as are required to discharge from title to any of the items set out in Schedule A or otherwise associated with Mine except to the extent that any liability or obligations are agreed to herein .

REPAYMENT TO THE MINISTER

3. BNMI hereby assumes full responsibility and liability for the balance of the outstanding debt owing to the Minister of Business New Brunswick under the Debenture Security and promises to pay to the Minister of Business New Brunswick the amount of \$7.5 million in accordance with the following repayment plan (the "Repayment Plan") in the total amount of \$7.5 million, based upon the price of zinc metal, payable as follows:

Zinc metal price (\$US/lb)	Annual Payment (in Millions of dollars)
<0.65	0
0.65 – 0.75	0.75
0.75 – 0.85	1.5
0.85 – 1.00	2.5
>1.00	3.5

4. Payments will be made annually on December 31, beginning in 2007. The zinc metal price used to determine payment will be the average London Metal Exchange ("LME") price for the year for which payment is being made. If the LME ceases to publish a zinc metal price, the price shall be the price quoted by an equivalent market.

HISTORICAL RECLAMATION CAP

5. In respect of the Historical Reclamation Liability, the Minister and BNMI hereby agree that the liability of BNMI shall be limited to the Historical Cap. For greater certainty, BNMI shall be credited with and the amount of its liability reduced by any and all amounts actually spent by or on behalf of BNMI in respect of Historic Reclamation Liability pursuant to the Reclamation Plan and the Historical Cap shall be adjusted in accordance with the Consumer Price Index.

NEW SECURITY

6. BNMI hereby covenants and agrees to post New Security in the amount of \$3,000,000 to secure the performance of its obligations in respect to the Historical Cap. Any interest or other return earned on the New Security shall be added to and form part of New Security.
7. Once the New Security is no longer required to secure the Historical Cap, the New Security shall remain in place to secure any balance unpaid with respect to the debt obligation to the Minister assumed by BNMI herein.

8. Upon completion of the payments referable to in the Repayment Plan contained in paragraphs 3 and 4 the New Security shall then be held further to secure the purchase of an annuity by BNMI in the Minister's name in an amount equal to the balance remaining on the New Security and on terms satisfactory to the Minister, acting reasonably, the proceeds of which shall be applied against BNMI's responsibilities pursuant to the Mine's post closure water treatment costs excluded from historical reclamation as referenced and included in the Reclamation Plan and on the purchase of the Annuity on the terms contained herein the Minister shall release the balance of the New Security to the BNMI.
- 9.. Any amount of the Annuity remaining following the completion of Blue Note Metal Inc.'s post closure water treatment costs excluded from historical reclamation as referenced in the Reclamation Plan and upon closure of the Mine due to depletion of the Ore reserves, shall be returned forthwith to BNMI.

CARIBOU PIT RECLAMATION

10. BNMI hereby covenants and agrees that it shall cover the cost of reclaiming the Caribou pit, as set out in the Reclamation Plan.

SURFACE WASTE ROCK DISPOSAL

11. BNMI will attempt to use existing waste rock stored on the surface in the form of roads, containment dykes and waste dumps ("Waste Rock") as backfill in the underground operations. The cost of removal and placement underground of the Waste Rock shall be to the account of BNMI. In the event that it is not feasible to use the Waste Rock as backfill, then the Minister and BNMI hereby agree that the cost associated with reclamation of the Waste Rock shall be deemed to be included in the Historical Reclamation Liability for the purposes of calculating the Historical Cap.

POST CLOSURE WATER TREATMENT

12. Should ongoing site water collection and treatment be required following reclamation of the Caribou site and subsequent to the three year monitoring period specified in the Reclamation Plan, BNMI and the Minister hereby agree to share the collection and treatment costs. BNMI shall bear 33.3% of the total costs and the Minister shall bear 66.7% of the costs. Costs shall include the costs only of collection and treatment and not the costs of persons, materials and equipment ordinarily employed by the Minister or other department or agency of the Crown in Right of New Brunswick performing tasks that are normally performed in the execution of their duties.

MISCELLANEOUS

13. This Agreement shall be governed by and interpreted in accordance with the laws of the Province of New Brunswick and the laws of Canada applicable therein. The parties hereby attorn to the jurisdiction of the courts of the Province of New Brunswick.
14. Time shall be of the essence of this Agreement.
15. This Agreement shall enure to the benefit of and shall be binding upon the parties hereto and their respective heirs, successors and assigns.
16. Any written notice or communication will be deemed to be given if delivered in a manner which permits the sender to prove the delivery to the address of the addressee as set out below (or to any such other address the addressee may have made known to the sender):

To the Minister:

Department of Natural Resources
P.O. Box 6000
Fredericton, NB
E3B 5H1

To BNMI:

Blue Note Metals Inc.
2 Place Alexis Nihon
Suite 1110, 3500 de Maisonneuve
Westmount, QC
H3Z 3C1

17. This agreement read together with the reclamation plan and the Leases constitute the entire agreement between the parties hereto and supersedes any prior agreements between the parties with respect to the subject matter herein.
18. In the event of conflict between the terms of this agreement and of the Reclamation Plan the Reclamation Plan shall prevail.
19. No amendment, supplement or waiver of any provision of this agreement or any other agreements provided for or contemplated, nor any consent to any departure by the either party, shall in any event be effective unless it shall be in writing and signed by the parties and then such amendment, waiver or consent shall be effective only in the specific instance for the specific purpose for which it has been given.
20. The headings in this Agreement are inserted for convenience and identification purposes only and are in no way intended to describe, interpret, define or limit the scope, extent or intent of any provision contained herein.

21. This Agreement may be signed in counterpart, and the signed copies will, when attached, constitute an original Agreement.

IN WITNESS WHEREOF the parties hereto have executed these presents the day and year first above written.

S. K. McEvoy

HER MAJESTY THE QUEEN IN
RIGHT OF THE PROVINCE OF NEW
BRUNSWICK.

PER: *Keith Ashfeld*
Honourable Keith Ashfeld
Minister of Natural Resources

BLUE NOTE METALS INC.

PER: *Michael Judson*
Michael Judson
Chairman and Chief Executive
Officer

PER: _____

**SCHEDULE "A" TO THE LIMITED HISTORICAL ENVIROMENTAL LIABILITY
AGREEMENT BETWEEN THE MINISTER OF NATURAL RESOURCES AND
PROVINCE OF NEW BRUNSWICK**

1. Mining lease number 246
2. Crown Grant # 35,003 dated December 19, 1969 Registered in the Restigouche County Registry Office on December 29, 1969 in Book 135, pages 689 to 690 as document number 72754
3. Crown lease of crown land used in conjunction with mining lease # 246
4. Together with all fixtures and other equipment and chattels used in conjunction with mining lease 246
5. Together with all mining claims associated with mining lease 246.

SCHEDULE "B" TO THE LIMITED HISTORICAL ENVIROMENTAL LIABILITY
AGREEMENT BETWEEN THE MINISTER OF NATURAL RESOURCES AND
PROVINCE OF NEW BRUNSWICK

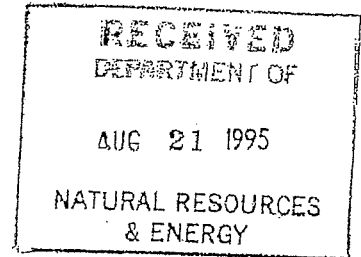
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EAST WEST CARIBOU MINING LIMITED

44 Victoria Street
Suite 2001
Toronto, Ontario
M5C 1Y2

August 16, 1995

Her Majesty the Queen In Right
of the Province of New Brunswick,
as represented by the Minister of
Natural Resources and Energy
Province of New Brunswick
P.O. Box 6000
Fredericton, New Brunswick
E3B 5H1



Dear Sirs/Mesdames:

Re: East West Caribou Mine

The purpose of this letter is to confirm our agreement with respect to various matters relating to the mining facilities and property commonly known as the East West Caribou Mine and more particularly described in Schedule "A" hereto (collectively, the "Mine") and certain financial arrangements between East West Caribou Mining Limited ("East West") and Her Majesty the Queen In Right of the Province of New Brunswick, as represented by the Minister of Natural Resources and Energy ("New Brunswick").

We confirm, in consideration of the mutual covenants and premises hereinafter contained, that the following has been agreed between us:

Environmental Matters

1. The liability of East West for reclamation work, rehabilitation work, other environmental work or environmental liabilities of any nature whatsoever arising in connection with or relating to any exploration, development or other activities undertaken at, on or in connection with the Mine at any time on or before October 29, 1993 shall be limited to an aggregate of \$3,000,000 (the "East West Liability"). Subject to the terms and conditions hereof, East West agrees to satisfy and discharge the East West Liability including, without limitation, any relevant costs or expenses of site cleanup ordered from time to time under applicable legislation. East West agrees to indemnify New Brunswick from and against any and all fines, claims, costs, losses, damages and expenses of any nature or kind resulting or arising from any breach of its obligations under this

paragraph 1. New Brunswick agrees that it shall be solely responsible and liable for funding any reclamation work, rehabilitation work or other environmental work or other environmental liabilities of any nature whatsoever arising in connection with or relating to any exploration, development or other activities undertaken at, on or in connection with the Mine at any time prior to October 29, 1993 which are in excess of the East West Liability (the "Excess New Brunswick Liability") and agrees if necessary to fund all such Excess New Brunswick Liability including, without limitation, any relevant costs or expense of site cleanup ordered from time to time under applicable legislation. New Brunswick agrees to indemnify East West (and its present and former officers, directors, shareholders, employees and agents) from and against any and all fines, claims, costs, losses, damages and expenses of any nature or kind resulting or arising from any breach of its obligations under this paragraph 1.

2. It is understood that the agreement between East West and New Brunswick regarding the repayment of \$152,500 to provide for the raising of the tailings dam at the Mine shall not be affected by this agreement. In addition neither the amount of \$152,500 nor any other monies provided by East West for the purpose of raising the tailings dam, shall be considered part of the \$3,000,000 East West Liability.

3. East West agrees that it shall cause to be maintained the existing \$1,300,000 bond issued by Laurentian Casualty Company of Canada under bond no. 7134025 (the "Bond") as security for the East West Liability unless and until East West has provided substitute and additional security acceptable to New Brunswick with respect to the entire amount of the East West Liability.

4. East West agrees it shall, as soon as it has a current ratio (current assets to current liabilities) of 2:1 (calculated in accordance with generally accepted accounting principles), provide satisfactory security to New Brunswick with respect to the entire East West Liability of \$3,000,000. It is acknowledged that the security posted from time to time by East West in connection with the East West Liability, including the Bond, shall, without limitation, serve as security for all treating and safe disposal of sludges covering tailings ponds A and B, removal and safe disposal of tailings from tailings ponds A and B, treatment and safe removal of acid generating waste rock and cleanup of acid generating materials in the area of tailings ponds A and B. In the event East West fails to satisfy the East West Liability, then New Brunswick shall give notice of such default to East West and if East West fails to rectify such default within thirty days, New Brunswick shall be entitled to realize on any security provided by East West in respect of the East West Liability.

5. The parties acknowledge that an environmental assessment study to be prepared by the Research and Productivity Council has been commissioned to detail the necessary reclamation work, rehabilitation work and other environmental work which may be necessary with respect to the Mine. Upon receipt of this report, each of East West and New Brunswick shall have a period of ninety days to review the same and the recommendations contained therein with respect to necessary reclamation, rehabilitation

or other environmental work. Thereafter the parties shall, within sixty days, in good faith agree as to the necessity, scope and timing of such work and whether such work forms part of the East West Liability, the Excess New Brunswick Liability or otherwise and failing agreement the matter shall be referred to arbitration. Any such agreement or decision of the arbitrator, as the case may be, shall bind East West and New Brunswick.

6. East West agrees it will forthwith provide to New Brunswick \$100,000 cash as security for pumping, treatment and other associated costs which may be incurred in connection with the ongoing treatment of Mine water consistent with past practices. Such \$100,000 shall be held by New Brunswick in a segregated trust account and New Brunswick shall be entitled to use such funds solely to pay any direct costs or expenses incurred by it in treating the Mine water in accordance with past practices as a result of East West's failure to do so. Interest earned on such amount shall be paid annually to East West.

7. Notwithstanding anything to the contrary contained herein, it is acknowledged and agreed that in the event East West wishes to commence commercial production, as a condition of so doing, East West shall be required to post such security as may be required under the provisions of the *Mining Act* or as security for reclamation work, rehabilitation work or other environmental liabilities of any nature whatsoever arising in connection with or relating to any exploration, development or other activities undertaken at, on or in connection with the Mine at any time on or after October 29, 1993.

8. New Brunswick agrees that it shall provide such assistance as may be appropriate in order to facilitate any discussions that East West or its affiliated or its associated companies may have with the Federal Government in connection with the Mine.

Financial Arrangements

9. New Brunswick hereby accepts the Net Smelter Return Royalty (the "Royalty") described in Schedule "B" hereto in full and final payment and satisfaction of the \$7,500,000 debenture issued by Caribou New Brunswick Mining Limited (a predecessor to East West) on May 27, 1988. East West hereby grants the Royalty to New Brunswick, which Royalty shall commence six months after "start-up" (as defined in Section 6(1)(a) of the *Metallic Minerals Tax Act*) of the Mine and shall be payable and calculated in accordance with the terms of Schedule "B" hereto. New Brunswick agrees that once it has received an amount equal to the Guarantee Amount (as hereinafter defined) pursuant to the Royalty, the Royalty shall terminate and have no further force or effect. New Brunswick and East West shall forthwith execute such discharges and releases of and in respect of the aforesaid debenture and related security and agreements as may be necessary in order to give effect to the foregoing.

10. Any ores, minerals or metals processed at the Mine for arms length third parties shall be subject to a toll charge per tonne of ore processed. The minimum toll charge shall be \$0.50 per tonne of ore processed and East West shall pay \$0.50 of any such toll charge to New Brunswick forthwith upon receipt of the same from the third party. East West shall cause to be kept proper books of account, records and supporting materials covering all matters relevant to the calculation of such toll charge. East West agrees to fully co-operate with New Brunswick and New Brunswick's agents and auditors for the purpose of verifying the calculation of such toll charge. New Brunswick, its agents and auditors, shall at all reasonable times be given full access to all books, records and papers of East West which relate to the toll charge, or the calculation of the same.

Disposition of Mine

11. In the event of any sale, transfer, conveyance or other disposition (a "Sale"), in whole or part, of the Mine to an arms length third party, it has been agreed that the net proceeds of any such disposition (after deduction of legal, transfer taxes and other associated costs relating to such disposition and any payments required to be made to arms length third party lenders who then hold security on the Mine) (the "Proceeds") shall be distributed as follows:

- (a) all such Proceeds shall be distributed to Breakwater Resources Ltd. ("Breakwater") until such time as Breakwater has recouped all amounts invested or funded by it in connection with the Mine on or after October 29, 1993 including, without limitation, the costs of maintenance of the Mine;
- (b) after payment to Breakwater of all Proceeds payable to it pursuant to paragraph (a) above, all remaining or additional Proceeds shall be distributed to Breakwater until such time as Breakwater has received an amount equal to the amount paid by Breakwater and Arimetco in connection with the acquisition of the debt of East West owing to National Australian Bank Limited and Westpak Banking Corporation;
- (c) after Breakwater has received all Proceeds to be distributed to it pursuant to paragraphs (a) and (b) above, any remaining or additional Proceeds shall be distributed 50% to Breakwater and 50% to New Brunswick until such time as New Brunswick has received an aggregate of \$7,403,652 plus amount of accrued 1% silver certificate guarantee fee (the "Guarantee Amount"); and
- (d) after disbursement to Breakwater and New Brunswick of all Proceeds to be disbursed under paragraphs (a), (b) and (c) above, any remaining or additional Proceeds of any such Sale shall be distributed to Breakwater.

For these purposes, the parties acknowledge that no interest shall be accrued on the amounts referred to in (a), (b) and (c) above.

In the event of any such Sale, it shall, where applicable, be a condition of any such Sale that the purchaser, transferee or other third party (the "Purchaser") shall continue to pay the Royalty; provided, however, New Brunswick agrees that the aggregate amount payable under the Royalty by any Purchaser shall be limited to the difference between (a) the Guarantee Amount, and (b) the aggregate of all amounts then paid by East West pursuant to the Royalty and all Proceeds received by New Brunswick in connection with any such Sale of the Mine, and upon payment in full of such aggregate amount by the Purchaser, the Royalty shall terminate.

Miscellaneous

12. No failure on the part of any party to exercise, and no delay in exercising any right hereunder shall operate as a waiver thereof; nor shall any single or partial exercise of any right hereunder preclude any other or further exercise thereof or the exercise of any other right. The remedies provided herein are cumulative.
13. Each of the parties hereto shall execute all such further agreements, instruments, assignments and other documents and shall do all such further acts and things as may be reasonably required from time to time to give full effect to this agreement.
14. This agreement shall enure to the benefit of and shall be binding upon East West and New Brunswick and their respective heirs, executors, administrators, successors and permitted assigns.
15. This agreement shall be governed by, and construed in accordance with the laws of the Province of New Brunswick and the laws of Canada applicable therein and shall be treated in all respects as a New Brunswick contract.
16. This agreement, including the schedules hereto, constitutes the entire agreement between the parties with respect to the warranties or other agreements between the parties in connection with the subject matter hereof.
17. All notices or other communications provided for hereunder shall be in writing personally delivered, as follows:

(a) if to East West:

44 Victoria Street
Suite 2001
Toronto, Ontario
M5C 1Y2

Attention: President

(b) if to New Brunswick:

Ministry of Natural Resources and Energy
P.O. Box 6000
Fredericton, New Brunswick
E3B 5H1

or to such other address as the parties may from time to time notify the others. All such deliveries shall be effective only upon actual receipt. In the event that any terms or provisions of this agreement shall, to any extent, be invalid or unenforceable, the remaining terms and provisions of this agreement shall not be affected thereby and shall be valid and enforceable to the fullest extent permitted by law.

18. (a) All matters in dispute under this agreement shall be submitted to arbitration at the instance of either party;
- (b) An arbitrator or arbitrators shall be appointed by mutual agreement between East West and New Brunswick. No one shall be nominated to act as arbitrator who is in any way financially interested in the conduct of the work or business affairs of either party;
- (c) the laws of the Province of New Brunswick shall govern the arbitration; and
- (d) the award of the arbitrator or arbitrators shall be final and binding upon the parties and this covenant to arbitration is to be construed as an integral part of this agreement.

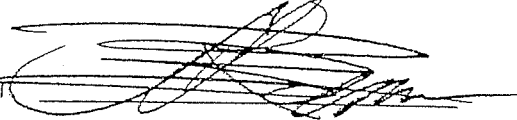
19. This agreement may be executed by the parties in several counterparts each of which when so executed shall be deemed to be an original and such counterparts taken together shall constitute one and the same instrument.

Kindly acknowledge your agreement to the foregoing by signing and returning a duplicate copy of this letter between us.

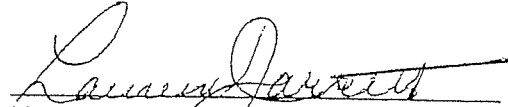
Yours very truly

EAST WEST CARIBOU MINING LIMITED

per:



Accepted and agreed this 30TH day of AUGUST, 1995.

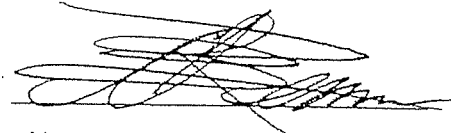


Her Majesty the Queen In Right of
the Province of New Brunswick,
as represented by the Minister of
Natural Resources and Energy

Breakwater Resources Ltd. hereby acknowledges and, insofar as its interests are affected, agrees to the foregoing.

BREAKWATER RESOURCES LTD.

per:



SCHEDULE "A"

DESCRIPTION OF MINE

[Crown Grant - Caribou Project Site]

A tract of land situate in the Parish of Colborne, in the County of Restigouche, in the Province of New Brunswick, and bounded as follows, to-wit:

Beginning at a survey marker placed in a point distant three thousand, one hundred fifty-seven and fifty-six one-hundredths feet on a True or Astronomic bearing of two hundred sixty-eight degrees, six minutes and twelve seconds from the intersection of the Bathurst Power and Paper Company road with Caribou Brook in Block Four, Range Twelve; thence from said place of beginning and running by True or Astronomic Bearings two hundred ninety degrees and thirty-eight minutes, five thousand and twenty-one and twenty-one hundredths feet to a survey marker; thence two hundred seventy degrees and fifty-six minutes, three thousand, nine hundred fifty-eight and fifty-nine one-hundredths feet to a survey marker; thence one hundred eighty-three degrees, fifty-four minutes and forty seconds, two thousand, three hundred twelve and ninety-four one-hundredths feet to a survey marker; thence one hundred eighty-two degrees and fifty-six minutes, one thousand, seven hundred ninety-one and six one hundredths feet to a survey marker; thence one hundred eighty degrees, twenty-two minutes and fifty seconds, two thousand, seven hundred ninety-four and nine seven one-hundredths feet to a survey marker; thence ninety-one degrees thirty-nine minutes and fifty seconds, one thousand, one hundred fifty and sixty-two one-hundredths feet to a survey marker; thence ninety degrees, sixteen minutes and fifty seconds, two thousand, seven hundred sixty-nine and sixty-four one hundredths feet to a survey marker; thence ninety degrees, ten minutes and thirty seconds, two thousand, three hundred forty and twenty-three one hundredths feet to a concrete monument; thence sixty-five degrees, fifty minutes and twenty seconds, two thousand, eight hundred thirty and fifty-seven one-hundredths feet to a survey marker; then one degree, twenty-four minutes and ten seconds, two thousand, seven hundred forty-eight and forty-three one-hundredths feet to a survey marker; and thence three degrees and three minutes, one thousand, two hundred six and twenty-six one hundredths feet to the place of beginning.

Containing one thousand, two hundred fifty-nine acres, more or less, and distinguished as Tract A, in blocks Three and Four, Range Twelve.

And also particularly described and marked on the Plot or Plan of Survey hereto annexed; together with all profits, commodities, hereditaments and appurtenances whatsoever thereunto belonging or in anywise appertaining; except and reserved, nevertheless, out of this present Grant, to Us, Our Heirs and Successors, all Coals, and also all Gold and Silver and other mines and minerals;

To have and to hold the said Tract of land and all and singular the premises hereby granted, with their appurtenances (except before excepted) unto the said Anaconda American Brass Limited its Heirs, Successors and Assigns, forever; provided always, and this present Grant is upon condition, that the said Grant be deposited in the Office of the Minister of Natural Resources of Our Said Province of New Brunswick.

BEING, or intended to be, the same lands and premises as contained in a Grant of Her Majesty the Queen in Right of the Province of New Goucester, Her successors and assigns, as represented and executed by the Minister of Natural Resources, in favour of Anaconda American Brass Limited, its successors and assigns, dated December 19, 1969 and deposited in the Office of the Minister of Natural Resources on the 19th day of December, 1969 as Number 35,003, and registered in the Office of the Registrar of Deeds in and for the County of Restigouche, Province of New Brunswick, on December 29, 1969, in Book 135, Pages 689-690 as No. 72754.

The said Anaconda American Brass Limited having changed its name to Anaconda Canada Limited by Supplementary Letters Patent dated the 8th day of June, 1972 and registered in the said Registry Office on the 31st day of July, 1972 in Book 158, Pages 411-413 as No. 79244.

The said Anaconda Canada Ltd. having amalgamated with 86025 Canada Limited to form 86025 Canada Ltd. by Certificate of Amalgamation dated the 1st day of June, 1978 which Certificate was registered in the said Registry Office on the 14th day of June, 1978 in Book 234, Pages 856-860, as No. 100501.

The said 86025 Canada Ltd. having changed its name to ArroHead Metals Ltd. by Certificate of Amendment dated the 1st day of June, 1978, which Certificate was registered in the said Registry Office on the 14th day of June, 1978 in Book 234, Pages 861-863, as No. 100502.

AND BEING, or intended to be, the same lands and premises as contained in a certain indenture of deed between ArroHead Metals Ltd., as Grantor, and 85818 Canada Ltd., as Grantee, dated the 7th day of June, 1978 and registered in the said Registry Office on the 14th day of June, 1978 in Book 234, Pages 866-870, as No. 100504.

APPROVED FOR REGISTRATION by Gilles Savoie, Restigouche District, Development Officer on the 14th day of June, 1978, as by reference to the immediately above-mentioned indenture of deed will more fully and at large appear.

The said 85818 Canada Ltd. having amalgamated with Anaconda Canada Exploration Ltd., to form Anaconda Canada Exploration Ltd., by Certificate of Amalgamation dated the 1st day of September, 1978, which Certificate is registered in the said Registry Office on the 13th day of October, 1978 in Book 241, Pages 877-889, as No. 102135.

The said Anaconda Canada Exploration Ltd., having changed its name to Caribou New Brunswick Mining Limited by Certificate of Amendment dated 26th day of January, 1987, which Certificate is registered in the said Registry Office on the 18th day of March, 1987 in Book 417, Pages 577-579 as No. 135291.

The said Caribou New Brunswick Mining Limited having amalgamated with Caribou-Chaleur Bay Mines Ltd. to form Caribou New Brunswick Mining Limited by Certificate of Amalgamation dated the 1st day of January, 1988 which Certificate was registered in the said Registry Office on the 3rd day of February, 1988 in Book 445, Pages 509-518 as No. 139301.

The said Caribou New Brunswick Mining Limited having changed its name to East West Caribou Mining Limited by Articles of Amendment effective as of October 17, 1988 and duly registered in the said Registry Office on the 10th day of November, 1988 in Book 469, Page 641 as No. 142686.

The mill is of modern design and includes such features as autogenous grinding, pressure filtration, on-stream analysis and a comprehensive distributed control system.

Other surface facilities include a shop-warehouse complex, a compressor building and compressors, a mine dry, assay laboratory and an administration building.

The services include a fresh water pumping and distribution system, fire protection and a 100 hectare tailings impoundment pond located 1.5 km southeast of the concentrator. Through successive lifts the impoundment dyke can contain tailings produced over a 20 year period. Electric power is provided by New Brunswick Power.

The equipment and assets located at Caribou are extensive and include major mobile mining equipment as well as tools, equipment (fixed and non-fixed) in each of the respective buildings or building complexes.

The major assets areas which house extensive equipment, machinery, etc., include:

1. Major Mining Equipment, largely mobile
2. Shop-Warehouse Complex
3. Merrill Crowe Plan
4. Concentrator Building
5. Concentrator Storage Building
6. Compressor Building
7. Office and Administration Complex
8. Mine Dry
9. Assay Laboratory
10. Core Storage Building
11. Effluent Treatment Plan
12. 2 - Electrical Substations
13. 2 - Explosive Magazines and 2 Day Boxes
14. Security Trailer
15. Three compartment shaft sunk to 149 meters below surface with headframe, hoist house, and hoists.

The other major asset that is part of the Caribou complex is the 1.5 hectare Concentrate Loading and Storage building and facilities site at Belledune, New Brunswick, 75 road kilometres from Caribou, which is under a 10 year lease with Ports Canada. The concentrate storage building has plan dimensions of 110 by 33 meters with a height of 19 meters. Note Figure 8.

SCHEDULE "B"

CALCULATION OF ROYALTY

The Royalty payable to Her Majesty the Queen In Right of the Province of New Brunswick ("New Brunswick") by East West Caribou Mining Limited ("East West") shall be calculated and paid as set forth hereunder:

- (a) The following terms, as used in this Schedule shall be defined as follows:
- (i) "Property" means the property described in Schedule "A" to the letter agreement made between New Brunswick and East West dated August 16, 1995 to which this Schedule "B" is attached;
 - (ii) "Net Smelter Returns" means the actual amount of payment received by East West from any custom smelter, mill, refinery, mint or other purchaser of ores, concentrates, metals and minerals (the "Product") mined and extracted from the Property and delivered for treatment and/or sale, after deducting therefrom, without duplication and to the extent charged to or paid by East West:
 - (A) all charges and penalties for smelting, treatment, refining and, if applicable, minting done by such custom smelter, mill, refinery, mint or other purchaser,
 - (B) all transportation costs for the Product from the Property to the custom smelter, mill, refinery, mint or other purchaser,
 - (C) all sampling and assaying charges made or levied in connection with the sampling and assaying carried out after the Product has left the Property,
 - (D) all marketing costs, handling costs, storage costs and insurance premiums; and
 - (E) any taxes (other than income taxes), royalties or other charges or imposts imposed by any government with respect to the sale or production of such Product.
 - (iii) "Royalty" means:
 - (A) where the price for zinc specified in the relevant smelter contract is equal to or greater than US\$0.65 per pound but less than US\$0.70 per pound, 1% of the Net Smelter Returns received in respect of the Product;

- (B) where the price for zinc specified in the relevant smelter contract is equal to or greater than US\$0.70 per pound but less than US\$0.85 per pound, 2% of the Net Smelter Returns received in respect of the Product; and
- (C) where the price for zinc specified in the relevant smelter contract is equal to or greater than US\$0.85 per pound, 3% of the Net Smelter Returns received in respect of the Product.

For these purposes, where the Product price is denominated in any currency other than the United States dollars, in calculating the Product Price the prevailing relevant US/foreign currency exchange rate published in the Globe and Mail (National Edition) on the date of execution of the smelter contract shall be used to calculate the equivalent United States dollars Product purchase price. All royalty payments, however shall, unless otherwise agreed, be made in the same as currency received by East West.

For greater certainty, it is acknowledged that no Royalty shall be payable in respect of Net Smelter Returns where the zinc price under the applicable smelter contract is less than US\$0.65 per pound; provided, however, in the event significant technological developments involving the utilization of newly developed technology not currently available occur and result in substantially reduced Product processing costs, the parties agree to in good faith renegotiate the royalty structure to reflect such reduced costs.

- (b) Payment to New Brunswick of the Royalty shall be made by East West directing the smelter or other relevant party to pay the applicable Royalty directly to the Minister of Finance, New Brunswick out of total Net Smelter Returns payable to East West from time to time.
- (c) Net Smelter Returns received by East West during each calendar year shall be calculated by East West at the end of such calendar year. Within 90 days of each calendar year a final report for the year certified as true and accurate by the chief accounting or financial officer of East West, or of the operator of the Property, shall be prepared showing in reasonable detail the calculation of the Net Smelter Returns received by East West during such year, the Royalty payments made to New Brunswick in respect of such year and all adjustments to Royalties paid during such year. If such final report indicates that New Brunswick has received more than should have been paid to it in respect of the Royalty, then the excess shall be deducted from the next payment of the Royalty, and if such report indicates that New

Brunswick is owed an additional amount, such amount shall be paid forthwith.

- (d) Where any Product that is sold to or treated by a company associated or affiliated with East West (as such terms are defined in the Canada Business Corporations Act) then, for the purposes of calculating the Royalty hereunder and notwithstanding the actual Product sale price, the Royalty shall be calculated and paid as if such sale and/or treatment had been negotiated on an arms length basis after taking into account all relevant circumstances including, without limitation, current market conditions for products similar to the Product or similar services, terms of similar agreements between arms length parties for the purchase and sale of similar products in similar quantities of delivery on similar times and physical and/or chemical characteristics of the Product or for the provision of similar services. In the event of such non-arms length circumstances, East West shall advise New Brunswick of the same and of any necessary adjustment made to the Royalty payable to New Brunswick as a result thereof. New Brunswick shall have 90 days to object to the quantum of any such adjustment or the failure of East West to make any such adjustment pursuant to the foregoing terms and failing such objection any such adjustment or any decision that no adjustment is required shall be deemed correct shall be final and binding upon East West and New Brunswick.
- (e) East West shall cause to be kept proper books of account, records and supporting materials covering all matters relevant to the calculation of the Royalty payable to New Brunswick hereunder, and the reasonable verification thereof.
- (f) East West shall, at all reasonable times, at New Brunswick's sole cost, permit agents of New Brunswick to inspect and audit and make copies from all such books of account, records and supporting materials relevant to the Royalty. New Brunswick shall have 12 months after the end of each calendar year to object in writing to East West as to the calculation of the Royalty for such calendar year set out in the final report, and failing such objection, such calculation shall be deemed to be correct and shall be final and binding upon East West and New Brunswick. If New Brunswick objects to the calculation of the Royalty, New Brunswick shall have the right to have such calculation and the accounts, records and materials upon which it is based reported on by a firm of chartered accountants, which is at the time in question independent of New Brunswick and East West, and if such report is delivered to East West within six months after the date of delivery of the written objection and if it indicates errors in the calculation in question, then such report shall be conclusive evidence of such errors and the final report and the accounts, records and materials upon which it is based shall be amended accordingly. If such report discloses errors, the aggregate amount of which is in excess of 5% of the corrected amount, East West shall pay all costs of the audit, otherwise New Brunswick shall pay such costs.

- (g) East West, or the operator of the Property, shall have the right to commingle Product from the Property with ore and minerals from other lands and properties ("Other Ore"); provided, however, that East West, or the operator of the Property, shall calculate from representative samples the average grade of the Product and Other Ore and shall weigh (or calculate by volume) the Product and Other Ore before commingling. If concentrates are produced from the commingled Product and Other Ore, East West, or the operator of the Property, shall also calculate on a periodic basis from representative samples the average recovery percentage for all concentrates produced. In obtaining representative samples, calculating the average grade of the Product and Other Ore and average recovery percentages, East West, or the operator of the Property, shall use the appropriate industry procedures.
- (h) Other than as provided for in paragraph (f) hereof, any dispute with respect to any calculation of the Royalty, any adjustment thereto or any other matter provided for in this Schedule or relating to the Royalty shall be settled by arbitration in accordance with terms of the letter agreement between East West and New Brunswick dated August 16, 1995 to which this Royalty calculation is annexed as Schedule "B".
- (i) New Brunswick's Royalty interest created hereby is a contractual right only and New Brunswick shall have no right, title or interest in the Property, save for those rights granted hereby. The Royalty shall be a lien registerable as such against the Property and East West covenants and agrees that if it sells, conveys, transfers, assigns or otherwise disposes of all or any part of the Property to any other person, firm or corporation, it will secure from such transferee a covenant enforceable by New Brunswick that the payment of the Royalty will be made. East West acknowledges that any such sale, conveyance, transfer or assignment shall be subject to the letter agreement between East West and New Brunswick to which this Royalty calculation is annexed as a schedule. Nothing in this section shall in any way limit East West's rights as the owner or lessee of the Property, including without limitation its right to encumber the Property, to set up such mining organization as it sees fit to bring the Property into production (in partnership with others or otherwise), to manage and operate the mining organization, to commence, curtail, expand or terminate production from time to time and to market the production from the Property in such manner as it may in its sole discretion decide.

CORPORATE AFFIDAVIT

PROVINCE OF QUÉBEC

COUNTY OF Montreal

I, Michael Judson, of the City of Montreal, in the County of Montreal Province of Québec **MAKE OATH (OR SOLEMN AFFIRMATION) AND SAY AS FOLLOWS:**

1. I am the ^{CEO, CDM. MJ} ~~President~~ of Blue Note Metals Inc. (the "Company") and have a personal knowledge of the matters and things herein deposed to and have authority to make this Affidavit on behalf of the Company.
2. The ^{CEO, CDM. MJ} ~~President~~ is the authorized signing officer to execute documents in the name of and on behalf of the Company.
3. The signature "Michael Judson" affixed to the foregoing Limited Environmental Liability Agreement (the "Agreement") is the signature of Michael Judson, of the said Company and the signature "Michael Judson" is in the proper handwriting of me this deponent on behalf of the Company.
4. The seal affixed to the Agreement is the corporate seal of Blue Note Metals Inc. was so affixed by order of the Company for the purposes of the execution of the Assignment.
5. The Agreement was so executed by the Company on the 26th day of July 2006, as and for its act and deed for the uses and purposes therein expressed and contained.

SWORN TO (or Solemnly affirmed)*)
 before me at the City of Toronto)
 and Province of Ontario, the 26th)
 day of July, 2006.)

[Signature]
 A NOTARY PUBLIC in and for the
 Province of Ontario

(Seal)

[Signature]
 Michael Judson, President)
 CEO, CDM. MJ)

PROVINCE OF NEW BRUNSWICK

COUNTY OF YORK

I, SAMUEL McEwan, of the City of Fredericton, in the County of York and Province of New Brunswick, MAKE OATH AND SAY:

1. I am a Director with the Department of Natural Resources, and have a personal knowledge of the matter and things herein deposed to.

2. The within Instrument was executed by the Honourable Keith Ashfield, Minister of Natural Resources of the Province of New Brunswick; that the signature of Keith Ashfield set and subscribed to the said Instrument as that of the Minister of Natural Resources is the signature of the said Keith Ashfield and was subscribed thereto in my presence.

SWORN TO at the City of Fredericton,)
in the County of York and)
Province of New Brunswick,)
this 31st day of JULY, 2006.)

BEFORE ME:)

J. B. Shep)
A Commissioner of Oaths,)
being a Solicitor)

S. K. M. P. Young

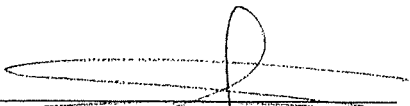
CORPORATE AFFIDAVIT

PROVINCE OF QUÉBEC
COUNTY OF MONTRÉAL

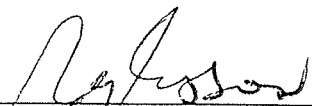
I, **MICHAEL JUDSON**, of the City of Montréal, County of Montréal and Province of Québec, **MAKE OATH (OR SOLEMN AFFIRMATION) AND SAY AS FOLLOWS:**

- 1 **Blue Note Mining Inc.** (the "Corporation"), is a body corporate, with its head office at the City of Montréal, in the Province of Québec, and that I am President and Chief Executive Officer of the said Corporation, and have a true, personal and correct knowledge of the facts herein deposed to.
- 2. Vince Portulese of the City of Montréal, in the Province of Québec, is Vice-President and Chief Financial Officer of the said Corporation.
- 4. The President and Chief Executive Officer and Vice-President and Chief Financial Officer are the duly authorized officers of the Corporation to execute the within Indenture.
- 5. The signature "Vince Portulese" set and subscribed to the within written Indenture as being that of Vince Portulese, Vice-President and Chief Financial Officer of the said Corporation, is the true, genuine and proper handwriting of the said Vince Portulese, and was affixed thereto by him in my presence.
- 6. The signature "Michael Judson" set and subscribed to the within written Indenture as being that of Michael Judson, President and Chief Executive Officer of the said Corporation, is the true, genuine and proper handwriting of me, this deponent, President and Chief Executive Officer of the said Corporation.
- 7. The corporate seal affixed to the within written Indenture and purporting to be the corporate seal of **Blue Note Mining Inc.** is the corporate seal of the said Corporation and was affixed by me as President and Chief Executive Officer and by order of the said Corporation.

SWORN TO (or Solemnly affirmed)*)
 before me at the City of Montréal, in the)
 County of Montréal and Province of Québec,))
 the _____ day of _____, 2007.)


~~STEPHANIE LAROSE~~ NATHALINE CHARLÉ)
 A NOTARY PUBLIC in and for the)
 Province of Québec)

(seal)


 MICHAEL JUDSON, President and)
 Chief Executive Officer)

