



FRASER MILNER CASGRAIN LLP

Philip M. Rimer
Direct Line: (613) 783-9635
philip.rimer@fmc-law.com

December 21, 2007

Mr. Dzahid Muratbegovic
Director
Igman d.d.
Donje Polje #42
88400 Konjic
Bosnia & Herzegovina

Mr. Emir Hadzizukic
Executive Director
Igman d.d.
Donje Polje #42
88400 Konjic
Bosnia & Herzegovina

Dear Sirs:

Subject: Default of Purchase Order No. 200608CC and Return of Funds Outstanding

Be advised that we are the solicitors for Caina-Longbranch Defence Systems (Canada) Limited ("Caina"), which has made every reasonable effort to resolve its concerns with Igman d.d. ("Igman"), but for unexplained reasons Igman refuses to even address (much less resolve) same. Specifically, we observe Caina's letter to Igman dated November 20, 2007, raising serious issues requiring Igman's immediate attention and rectification, all of which was ignored by Igman.

First, Purchase Order No. 200608CC dated December 14, 2006 constitutes a legally binding obligation between Igman and Caina governed by the laws of the Province of Ontario. For its part, Igman undertook to produce goods within 130 days of the purchase order date, which still have not been completed on time. Consequently, Caina reserves all of its rights and remedies against Igman for all resulting damages (both direct and indirect), which well exceed the initial \$93,000.00 USD payment made by Caina. Indeed, we submit that Igman's conduct of refusing to respond, as well as its improper use of packaging material provided by (and owned by) Caina, constitute an act of conversion, and we intend to seek exemplary damages in that regard.

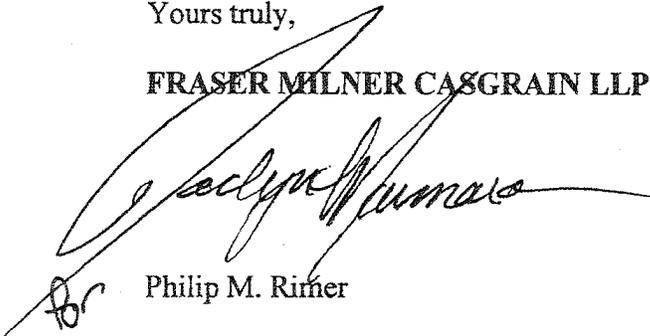
Second, Igman has been holding \$25,221.62 USD since October 2005, which was paid in error by Caina with respect to Purchase Order No. 0560062F. Notice is hereby given that these funds are to be returned to Caina immediately and that, failing timely compliance with this request, we will again pursue all rights and remedies at law including seeking exemplary damages for "conversion" of such funds.

In light of the foregoing, Caina is prepared to resolve these issues on the following without prejudice basis. Firstly, Igman will promptly fulfill Purchase Order No. 200608CC. Upon fulfillment of this order, the balance of \$94,603.40 USD less funds of \$25,221.62 USD held in credit will be paid to Igman. Furthermore, Caina demands that a without prejudice meeting be held between the parties and their respective legal advisors in order to resolve other outstanding legal matters.

If these conditions are not promptly met, Caina has instructed us to pursue all legal remedies at our disposal without further notice. Please govern yourselves accordingly.

Yours truly,

FRASER MILNER CASGRAIN LLP


Philip M. Rimer

PMR/mz

Encl.

cc: Mr. Vahid Heco
Ministar
Ministarstvo za Energiju Rudarstvo I Industriju
Alekse Santica b.b.
88000 Mostar
Bosnia and Herzegovina

580964_4.DOC