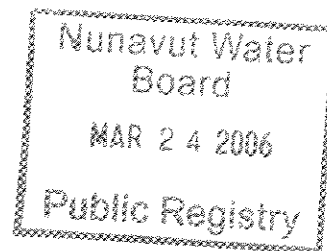


WOLFDEN RESOURCES INC.

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August 5, 2005

Mr. Philippe di Pizzo
Executive Director
Nunavut Water Board
P.O. Box 119
Gjoa Haven, NU
X0B 1J0



Dear Mr. di Pizzo:

Re: ULU WATER LICENCE NWB1ULU0008 – PROPOSED INTERIM WATER MANAGEMENT MEASURES

In a letter dated June 28, 2005, Wolfden Resources Inc. (Wolfden) notified the Nunavut Water Board (NWB or Board) that it had decided to postpone further underground work at Ulu, and that the portal and vent raise would be sealed off. The purpose of this letter is to propose an interim water management plan to manage runoff from the existing waste rock and ore storage pad. It also provides an update on other water management aspects of the project.

Proposed Interim Water Management Plan for Waste Rock Pad Runoff

Part D, Item 7 of the Water Licence states:

The Licensee shall submit to the Board for approval, at least sixty (60) days of [following] notification to the Board by the Licensee that operation at the site will be resumed, a proposal for the disposal of minewater and excess runoff water from the Retention Pond and Settling/Neutralization Ponds. The proposal shall include, but not be limited to, the following:

- a. Options for discharge of Minewater/Runoff water (including East Lake, if applicable);
- b. Details on quantity and quality of the Minewater/Runoff water; and
- c. Options for treatment and disposal

As noted above, the water licence requires a proposal for the disposal of minewater and excess runoff water from the Retention Pond and Settling/Neutralization Ponds. The Water Licence defines minewater as "ground water or any other water used in mining which is pumped or flows out of any underground workings or open pit". Currently, there is no minewater being generated at the site and

the Retention Pond and Settling/Neutralization Ponds have not been constructed (the water licence assumes that these ponds are already in place), and, in Wolfden's view, are not required at this time given that mining did not occur when the portal was reopened, the underground work is postponed and the portal is now sealed off.

Given that no minewater is currently being generated and the Retention and Settling/Neutralization Ponds do not exist and are not required at this time, Wolfden would like to propose an interim water management plan to monitor and manage the runoff from the existing waste rock pad. This plan would include:

- Monitoring of runoff during peak flow and rainfall events for key water quality parameters and compliance with the water licence discharge criteria.
- Assessment of any trends in the concentrations of these parameters.
- Prediction of concentration for key parameters in runoff based on the work already provided to the NWB as part of the Waste Rock and Ore Storage Plan (WROSP) prepared by BGC Engineering (March 21, 2005). In this plan, predictions of source concentrations from the existing waste rock, camp and ore storage pads were provided. This will be updated, if necessary.
- Update of the impact assessment contained in the WROSP to assess the impacts on the receiving environment of the ongoing discharge of runoff for the storage pads.
- Establishment of water quality triggers for the storage pad runoff and how those triggers will be incorporated into a contingency plan for collection and treatment should they be exceeded.

The NWB is aware that Wolfden was in the process of excavating ice and pumping water (June 2005) from the portal prior to postponing underground work at Ulu. The water from the mine was pumped into an existing surface sump located outside the portal area. Water from this sump was sampled in June 2005. The results show that the sump water quality is within licence criteria with the exception of total suspended solids (TSS) (Attachment 1, Table 1). Presently the water in the sump has not been discharged, and we recognize that the Board would need to approve discharge of the water. Compliance to all licence limits would be confirmed prior to any proposed discharge.

The excavated ice was placed along the edge of the existing waste rock pad, such that melt water drained to East Lake (current sewage depository). The analysis of a June 2005 water sample of runoff from the existing waste rock pad demonstrated that runoff from the pad is well below discharge limits (maximum average concentration) (Attachment 1, Table 2). At the time, Wolfden was not aware that the melt water from the excavated ice and the water pumped from the mine was considered to be minewater by the NWB, as noted in a letter from the NWB on June 21, 2005.

Other Notes

Wolfden submitted a Terms of Reference for a hydrological assessment of West Lake on March 24, 2005. The implementation of the hydrological assessment has been initiated and will be completed by early August 2005. We recognize that there is a requirement (Part C, Item 5) in the licence that implementation is to be conducted once the Board has approved the Terms of Reference. Wolfden has not yet received documentation or correspondence outlining the status of approval. However, due to the short field season, Wolfden has decided to move ahead with implementation to ensure that the field work could be completed in 2005, and such that it could be done in conjunction with other hydrological and fisheries work that is being undertaken to support Wolfden's Environmental Impact Statement. We anticipate the hydrological assessment will be completed by the end of November 2005. Wolfden will incorporate any recommendations the NWB may have regarding the Terms of Reference into the assessment.

Wolfden is in the process of developing a plan outlining the inspection and follow-up programs as required under Part D, Item 8 of the Water Licence, which will be submitted for the Board's approval. Our interpretation of this clause is that a plan should be submitted to the NWB outlining all monitoring and inspection programs at the site. This would essentially be a summary document, to include any geotechnical inspection, the required water licence monitoring and the interim waste rock and ore storage pad water management plan. We would appreciate the NWB's confirmation on our understanding of the interpretation of this licensing requirement.

We have retained a geotechnical engineering firm to conduct an inspection of earthworks, geological regime and the hydrological regime of the project in August 2005, as per Part D, Item 9 of the Water Licence. The Geotechnical Engineer's report will be submitted to the Board within sixty (60) days of the inspection.

Closing

We look forward to hearing from the NWB as to their acceptance of the above noted proposal for the interim water management plan, status of approval for the Terms of Reference under Part C, Item 4, and confirmation of the interpretation of Part D, Item 8. I can be contacted at 604.759.0605 (Ulu camp).

Regards,

David B. Stevenson, M.Sc., P.Geo.
Mine Manager, Ulu
Wolfden Resources Inc.

cc Glenda Fratton, Gartner Lee Limited
 Leslie Gomm, Gartner Lee Limited

Attachment 1

Table 1. Results of Sump Water Quality Sample

Parameter	Concentration (mg/L)	Discharge Limit (mg/L)	
		Maximum Average Concentration	Maximum Grab Sample Concentration
Total Arsenic	0.0102	0.50	1.00
Total Copper	0.0216	0.30	0.60
Total Lead	0.0046	0.20	0.40
Total Nickel	0.0073	0.50	1.00
Total Zinc	0.039	0.50	1.00
Total Suspended Solids	66	25	50
Oil and Grease	none	Visible Sheen	
pH	7.91	6.0-9.5	

Table 2. Results of Existing Runoff Water Quality

Parameter	Concentration (mg/L)	Discharge Limit (mg/L)	
		Maximum Average Concentration	Maximum Grab Sample Concentration
Total Arsenic	0.0015	0.50	1.00
Total Copper	0.0016	0.30	0.60
Total Lead	0.0002	0.20	0.40
Total Nickel	0.00282	0.50	1.00
Total Zinc	0.008	0.50	1.00
Total Suspended Solids	12.0	25	50
pH	7.36	6.0-9.5	