

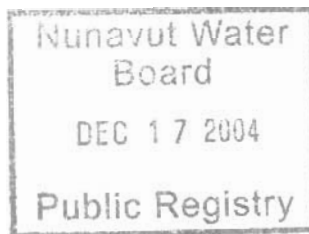


WOLFDEN RESOURCES INC.

309 Court Street South
Thunder Bay, Ontario
P7J 1H1
Tel: (807) 346-1668
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December 15, 2004

Mr. Philippe di Pizzo
Executive Director
Nunavut Water Board
P.O. Box 119
Gjoa Haven, Nunavut
X0E 1J0



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Dear Mr. di Pizzo:

Re: Ulu Water Licence NWB1ULU0008

On October 23, 2004 WolfDen sent an email to Phyllis Beaulieu, Licensing Administrator, NWB requesting clarification of the term "operation" as it is used in the Ulu water license. Ms Beaulieu forwarded WolfDen's inquiry to David Hohnstein, Technical Advisor, NWB. Mr. Hohnstein issued WolfDen an email on November 16, 2004 indicating the definition of the term "operation" is not specifically defined but is used synonymous with "activity" throughout the document. He further indicated that he checked with the Licensing Administrator and there does not appear to be any correspondence from WolfDen indicating that "activity" at the site has resumed. Mr Hohnstein further stated "activity" can be as minimal as operation of the camp accommodations or as extensive as re-opening the underground workings and carrying out a drill/excavation program. Essentially, any situation where water use and waste disposal would be required could be considered an activity under the license.

During February 2004, when WolfDen submitted it's Land Use application to the Kitkmeot Inuit Association (KIA), WolfDen interpreted the term "operation" to apply to re-opening the portal at Ulu and "working underground". WolfDen did not believe it applied to it's 2004 surface drill program and therefore did not fulfill all of the requirements in the Ulu water license. In October of this year, WolfDen re-read the water license, in conjunction with filling out it's application to the KIA requesting permission to perform an underground exploration program at Ulu in 2005. It was then WolfDen questioned what the meaning of the term "operation" was and therefore submitted it's inquiry to Ms. Beaulieu.

Therefore, from Mr. Hohnstein's interpretation of the term "operation" and "activity" it appears that WolfDen has neglected to fulfill the following terms of the Ulu water license:

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PART C: CONDITIONS APPLYING TO WATER USE

- Item 4. "Within six (6) months following notification to the Board by the Licensee that operation at the site will be resumed, the Licensee shall submit to the Board **Terms of Reference for hydrological assessment of West Lake**, including an implementation schedule."

PART D: CONDITIONS APPLYING TO WASTE DISPOSAL

- Item 7. "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..."
- Item 8. "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 plan outlining the inspection and follow-up programs**. The Licensee..."
- Item 9. "Upon notification to the Board by the Licensee that operation at the site will be resumed, **an inspection of the earthworks, geological regime, and the hydrological regime of the project** is to be carried out annually during the summer by a Geotechnical Engineer. The Geotechnical Engineer's report shall be submitted to the Board within sixty (60) days of the inspection, with a covering letter from the Licensee outlining an implementation plan to respond to the Engineer's recommendations."
- Item 10. "The Licensee shall submit to the Board for approval within two (2) months of operations on site resuming **a plan for ongoing Acid Rock Drainage (ARD) and Geochemical Characterization**. The plan..."
- Item 11. "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 Waste Rock and Ore Storage Plan** to address the management of all drainage from ore and waste rock storage areas, both permanent and temporary, over the term of the Licence. The plan..."
- Item 19. "The Licensee shall submit to the Board for approval **a disposal plan that addresses the disposal of the sludges produced from the rotating biological contractor prior to any deposit of waste**. The plan..."

PART H: CONDITIONS APPLYING TO OPERATION AND MAINTENANCE

- Item 1. "The Licensee shall, at least sixty (60) days of? (following?) notification to the Board by the Licensee that operation at the site will be resumed, submit to the Board for approval, **a plan for the Operation and Maintenance of the Sewage and Solid Waste Disposal Facilities** in accordance with..."

In addition, Wolfden was to have provided the NWB with an updated assessment of the current mine restoration liability at ULU within six (6) months of receiving your letter dated March 23, 2004 discussing assignment of the Ulu water license. Wolfden has attached an updated

assessment of the current mine restoration liability at Ulu to this letter which amounts to \$1,408,406. This amount is less than the current security bond of \$1,685,210 Wolfden has on file with the NWB/Minister of Indian and Northern Affairs.

Also, according to Part E: Conditions Applying to Spill Prevention and Contingency Planning and Part I: Conditions Applying to Abandonment and Restoration of the water license, Wolfden was to submit a Spill Contingency Plan and a revised Interim Abandonment and Restoration Plan. These reports were submitted to Ms Beaulieu on February 8, 2004. Wolfden did not receive an acknowledgement of their receipt nor a return comment. Does the NWB have these reports on file? If not, Wolfden can forward them electronically or via courier.

As indicated in many of the items listed, a question mark is placed after "of" and "following". In Wolfden's copy of the water license "of" has been lined out and "following" written in its place and initialled by some unknown person. Please clarify which word applies.

The intent of this letter is to notify the NWB that Wolfden is now aware of the deficiencies and has engaged engineers and environmentalist through BGC Engineering Inc. and Gartner Lee Ltd., respectively, to assist Wolfden in fulfilling the requirements of the Ulu water license. After discussions with BGC and Gartner Lee, Wolfden expects to complete all requirements early in the New Year. Wolfden will submit the reports to the NWB as we receive them.

If you have any comments or questions I can be reached at (807) 346-2762 or via email at dave.stevenson@wolfdenresources.com.

Kind Regards,



David B. Stevenson, M.Sc., P.Geo.
Project Manager, Ulu

RECLAMATION COSTS FOR ULU MINESITE (present condition)

Activity	Quantity	units	No. men	Total hrs	Rate/ hr	Cost men	Equip.	hrs	Rate/ hr	Cost eqpt	Supplies	Cost	Total Cost	Cost/ activity
Cap vent raise	11.5	m ³	3	44	\$36.80	\$4,858	Zoom Boom	22	\$28.96	\$637	concrete	\$12,650	\$18,345	\$18,345
Dismantle 350,000 gal fuel tanks	2	ea	5	154		\$100,000	Badger Crane	154	\$225.00	\$34,650			\$134,650	
			2	154	\$36.80	\$11,334	Zoom Boom	154	\$28.96	\$4,460			\$15,794	\$150,444
Dismantle Weatherhaven camp			2	165	\$54.55	\$18,000	Badger Crane	11	\$225.00	\$2,475	Trav expens.	\$2,000	\$22,475	
			10	165	\$30.00	\$49,500	Flat deck	165	\$17.45	\$2,879			\$52,379	\$74,854
Dismantle Ulu trailers, etc.			12	330	\$30.00	\$118,800							\$118,800	
Remove fence - powder mags			2	10	\$30.00	\$600	CAT986	10	\$39.00	\$390			\$990	
Labor crew			10	195	\$30.00	\$49,500							\$49,500	
Catering			3	660	\$37/md	\$111,000	incl food						\$111,000	
Re-supply flights							Domier	5 trips		\$28,500			\$28,500	
Crew change flights							Domier	3 trips		\$17,100			\$17,100	\$325,890
Fuel purchase cost (Jet-B)	130,000	liters					For Buffalo aircraft		\$0.60/liter	\$78,000			\$78,000	
Transportation cost to Ulu (Jet-B)	130,000	liters					Herules aircraft		\$1.14/liter	\$148,200			\$148,200	
Fuel Handling - Ulu			2	66	\$30.00	\$3,960	Fuel truck	22	\$25.00	\$550			\$4,510	\$230,710
Fly Ulu Fuel Inventory to High Lake	500,000						Buffalo aircraft	58 trips	\$2,500/trip	\$145,000	mob/demob	\$11,000	\$156,000	\$156,000
Freight Haul - Ulu to High Lake (assume 1.0 million lbs)														
Ulu freight transfer crew			4	330	\$30.00	\$39,600	Forklift	56	\$30.00	\$1,680			\$41,280	
High Lake freight receiving crew			4	330	\$30.00	\$39,600	Forklift	56	\$30.00	\$1,680			\$41,280	\$82,560
Freight flights - Ulu to High Lake							Buffalo aircraft	56 trips	\$2,500/trip	\$140,000	mob/demob	\$11,000	\$151,000	\$151,000

3065 Ulu Reclamation Costs.xls

up dated December 8 2004

RECLAMATION COSTS FOR ULU MINESITE (present condition)

Activity	Quantity	units	No. men	Total hrs	Rate/ hr	Cost men	up dated December 8 2004				2003 Ulu Reclamation Costs			
							Equip.	hrs	Rate/ hr	Cost eqpt	Supplies	Cost	Total Cost	Cost/ activity
Uncover portal	400	m ³	1	11	\$36.80	\$405	CAT966	11	\$39.00	\$429	explosives	\$1,000	\$834 \$1,440	\$2,274
Block portal with waste (final)	800	m ³	1	22	\$36.80	\$810	CAT966	22	\$39.00	\$858			\$1,668	\$1,668
Remove ore from pad to portal	1222	m ³	1	18	\$36.80	\$662	CAT966	18	\$39.00	\$702			\$1,364	\$1,364
	1222	m ³	1	18	\$36.80	\$662	CAT769	18	\$48.50	\$873			\$1,535	\$2,900
Grade sides of ore pad to 30deg	800	m ³	1	11	\$36.80	\$405	D8N	11	\$56.00	\$616			\$1,021	\$1,021
Grade sides of camp pad to 30deg	400	m ³	1	6	\$36.80	\$221	D8N	6	\$56.00	\$336			\$557	\$557
Grade road edges to 30deg slope	12500	m ³	1	22	\$36.80	\$810	D8N	22	\$56.00	\$1,232			\$2,042	\$2,042
Grade airstrip edges to 30deg slope	400	m ³	1	4	\$36.80	\$147	D8N	4	\$56.00	\$224			\$371	\$371
Grade sides of portal pad to 30deg	400	m ³	1	4	\$36.80	\$147	D8N	4	\$56.00	\$224			\$371	\$371
Trim ore underground	1222	m ³	1	22	\$40.00	\$880	ST-7.5	22	\$70.23	\$1,545			\$2,425	\$2,425
Dig out Camp 3 tank farm	617	m ³	1	22	\$36.80	\$810	CAT966	22	\$39.00	\$858			\$1,668	\$1,668
Haul to portal			1	22	\$36.80	\$810	CAT769	22	\$48.50	\$1,067			\$1,877	\$1,877
Haul u/g			2	14	\$40.00	\$1,120	ST-7.5	14	\$70.23	\$983			\$2,103	\$5,647
Dig out Ulu tank farm	457	m ³	1	5	\$36.80	\$184	CAT966	5	\$39.00	\$195			\$378	\$378
Haul to portal			1	5	\$36.80	\$184	CAT769	5	\$48.50	\$243			\$427	\$427
Haul u/g			2	10	\$40.00	\$800	ST-7.5	10	\$70.23	\$702			\$1,502	\$2,308
Scarify														
Ulu Camp	26000	m ²	1	13	\$36.80	\$478	D8N	13	\$56.00	\$728			\$1,206	\$1,206
Portal pad	6000	m ²	1	4	\$36.80	\$147	D8N	4	\$56.00	\$224			\$371	\$371
Ore pad	19000	m ²	1	10	\$36.80	\$368	D8N	10	\$56.00	\$560			\$928	\$928
Road's	140000	m ²	1	70	\$36.80	\$2,576	D8N	70	\$56.00	\$3,920			\$6,496	\$6,496
Airstrip	23000	m ²	1	12	\$36.80	\$442	D8N	12	\$56.00	\$672			\$1,114	\$10,115
Remove road culverts	6	ea	1	22	\$36.80	\$810	backhoe	22	\$15.81	\$348			\$1,157	\$1,157
			1	22	\$36.80	\$810	D8N	22	\$56.00	\$1,232			\$2,042	\$3,199
Subtotal													\$1,224,701	\$1,224,701
Contingency (15%)													\$183,705	\$183,705
TOTALS				2953		\$561,878				\$624,972		\$37,850	\$1,408,406	\$1,408,406