BGC ENGINEERING INC.
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# WOLFDEN RESOURCES INC.

## 2006 ANNUAL GEOTECHNICAL INSPECTION SELECTED STRUCTURES

## ULU GOLD PROJECT, NU

**FINAL**

PROJECT NO.: 0385-004-03
DATE: OCTOBER 5, 2006

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Project No. 0385-004-03
October 5, 2006

Mr. Dave Stevenson, P.Geo. – Ulu Project Manager
Wolfden Resources Inc.
#401-1113 Jade Court
Thunder Bay, ON
P7B 6M7

**RE: REPORT ON 2006 ANNUAL GEOTECHNICAL INSPECTION**
**SELECTED STRUCTURES, ULU GOLD PROJECT, NU**

Dear Dave:

Please find attached our report on the annual geotechnical inspection of selected facilities at the above captioned project. This site visit was undertaken by Mr. Jim Cassie, P.Eng., on August 16 and 17, 2006.

If there are any questions regarding this report, or if you require any additional services, please contact the undersigned at your convenience.

Yours truly,
**BGC Engineering Inc.**
**per:**

James W. Cassie, M.Sc., P.Eng.
Specialist Geotechnical Engineer
*(direct line 403/250-5185 Ext. 103)*

encl.: Final Report

JWC/sf

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# LIMITATIONS OF REPORT

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As a mutual protection to our client, the public, and ourselves, all reports and drawings are submitted for the confidential information of our client for a specific project and authorization for use and / or publication of data, statements, conclusions or abstracts from or regarding our reports and drawings is reserved pending our written approval.

## 1.0 INTRODUCTION

The Ulu Gold Project is an advanced mining-exploration project, currently operated by Wolfden Resources Inc. (Wolfden). The project is located in Nunavut, approximately 530 km north of Yellowknife at 66°55′N and 110°58′W as shown in Figure 1.

The Nunavut Water Board (NWB) License NWB1ULU008 provides for water use and waste disposal for this project. Clause D, Item 9 of that licence notes the following:

> "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 are to be carried out annually during the summer months by a qualified Geotechnical Engineer".

As such, BGC Engineering Inc. (BGC) was requested by Wolfden to undertake the noted inspection to address the noted Water Licence clause.

As inferred by the clause, it is assumed that the Ulu Project would be in operation; i.e., producing either waste rock and/or ore from the ramp. Wolfden had intended to undertake additional mining work this year and BGC/Lorax (2005) was prepared in anticipation of these events occurring (and in compliance with Clause D, Item 11 of the Water Licence). After some ice and a minor amount of mine muck was removed from the decline, Wolfden decided to forgo any additional mining development in 2006. Hence, no new waste rock or ore was brought to surface.

Typically, the intent of the annual geotechnical inspection within the Water Licence is to visually assess the performance of water and waste retaining structures from the geotechnical and hydrotechnical perspectives. Following from that assessment, Wolfden would be made aware of any deficiencies or concern with these retaining structures. Given the current configuration of the site, the following facilities and structures were identified for the annual inspection program:

- Ulu main tank farm containment berm.
- Day tank containment berm.
- Camp 3 tank farm containment berm.
- Mine sump.
- Ore storage pad.
- Portal laydown pad.

Following from submission of BGC's 2005 inspection report, Wolfden provided a summary report dated July 22, 2006 to the Water Board. This report outlined Wolfden's responses to the various recommendations provided within BGC (2005).

Authorization to proceed with the work was provided by Mr. Dave Stevenson, P.Geo. of Wolfden. The report provided herein summarizes the current conditions of the noted structures and provides any required recommendations with respect to maintenance or monitoring.

## 2.0 PROJECT DESCRIPTION AND OPERATION

### 2.1 Background

The Ulu Property was originally discovered by BHP Minerals in 1988 followed by several years of additional exploration work. Mining consultants H.A. Simons Ltd. completed a prefeasibility study of the project in September 1995, followed by the sale of the property to Echo Bay Mines Ltd. (Echo Bay) in November 1995. After receipt of appropriate permits and approvals in early 1996, Echo Bay mobilized camp and mining equipment over the winter road to their temporary Camp 3, located south of the Ulu site. Following from that initial mobilization, Echo Bay built the 8 km all-weather road over to Ulu and the Ulu camp facilities, undertook surface diamond drilling and excavated a portal and completed a 632 m ramp to the 75 m level.

In February 1997, Echo Bay submitted an environmental assessment for the project. Also in 1997, additional ramp development was undertaken to the 155 m level, along with other development and diamond drilling work, but the project was shut down in August 1997 due to low gold prices. Echo Bay then provided updated Feasibility Studies in December 1997 and October 1998, but the project activity generally remained dormant.

In December 2003, Wolfden purchased the Ulu Property from Echo Bay. Echo Bay's Water Licence for the site was transferred over to Wolfden by the NWB in a letter dated March 23, 2004.

### 2.2 Project Elements

Figure 2 provides an overview of the Ulu project site consisting of three main elements, from south to north:

1. Camp 3 (fuel tank farm and maintenance building), borrow pits and explosives magazines on the esker located just northwest of Reno Lake North.
2. An airstrip, approximately 1350 m long x 30 m wide, located over bedrock exposures to the north.
3. The Ulu camp and portal, located at the north end of the site, directly proximal to the ore body.

The Ulu camp location is on a glacially modified bedrock outcrop bounded by a linear lake (West Lake) on the west, a small semi-circular lake (East Lake) on the southeast, Ulu Lake on the northeast and a drainage system to the north, as shown on Figure 3. The terrain is rugged, consisting of exposed bedrock, boulder fields (felsenmeer), relocated boulders and occasional glacial erratics. Areas proximal to lakes and watercourses contain wetlands and sedge grasses.

Figure 3 provides some details on the main components of the camp, including the following:

- accommodations, office and shop.
- main tank farm.
- generators and day tank.
- sewage treatment plant and discharge line into East Lake.
- fresh water intake line from West Lake.
- mine portal and sump.
- temporary waste rock storage/laydown pad below the portal.
- ore storage pad.

The majority of the surface drainage from the camp site pad and waste rock and ore storage pads drains into East Lake, which then flows into Ulu Lake. Some surface drainage from the northern end of the campsite pad flows overland and then into Ulu Lake. A small southwestern portion of the ore storage pad flows west, possibly into West Lake.

### 2.3 Bedrock Geology and Permafrost Conditions

Echo Bay (1997) provides a summary of both the regional and property geology for the Ulu site, as paraphrased below.

The Ulu claims are located within the High Lake Volcanic Belt (HLVB) of the Archean Slave Structural Province. This geological province consists of basement gneisses overlain by greywacke turbidite and basalt in thick sequences. The HLVB is part of such a sequence and consists of a north-south trending volcanic and sedimentary sequence, enclosed by later Archean granitoid rocks.

The geology of the Ulu property consists of a sequence of folded mafic volcanic, mafic intrusive and sedimentary rocks, metamorphosed to upper greenshist / lower amphibolite facies. These rocks are intruded by later felsic instrusive rocks and diabase dykes. At least three phases of deformation are noted with the rocks at Ulu. The volcanic, intrusive and sedimentary rocks are folded into a north trending anticline that plunges steeply to the north in the area of the Flood Zone. Gold occurs in laminated calc-silicate veins and in quartz veins. Highest gold grains are found in quartz veins containing fine-grained arsenopyrite. Gold mineralization occurs primarily in the basalt and to some degree in the sediments. Very little gold mineralization occurs in the gabbroic rocks.

Additional information of the geochemical issues associated with waste rock and ore is provided within BGC/Lorax (2005).

The Ulu project site is located within the continuous permafrost zone of northern Canada. At the Lupin Mine, approximately 150 km to the south, the permafrost is approximately 540 m deep. Data from the High Lake site, approximately 50 km to the north of Ulu, indicates that permafrost is approximately 440 m deep. A shallow thermistor, BGC04-01 (cable 25-1), was installed by BGC to the east of West Lake in August 2004. A ground temperature of approximately –7$^{o}$C was recorded at 10 m depth in May 2005.

### 2.4 Climatic Information

No long term climate records are available specifically for the Ulu site, although a weather station is now in operation at the airstrip. Based on regional correlations of proximal weather stations, RWDI (2006) have estimated representative climate parameters for the "Wolfden Project area", as summarized below:

- Mean annual air temperature of –11.8$^{o}$C.
- Extreme annual temperatures values of –53.9$^{o}$C and +34.9$^{o}$C.

Within BGC (2006), the following precipitation and evaporation estimates were made for conceptual design work at the High Lake site, based on recent northern hydrology assessments:

- Mean annual precipitation amount of 280 mm.
- One day Probable Maximum Precipitation (PMP) estimate of 157 mm.
- Mean annual lake evaporation value of 240 mm.

### 2.5 Facility Operation

The Ulu camp re-opened on April 12, 2006. Procon Mining (Procon) arrived on site on May 17 and began removing the portal barrier and re-establishing ventilation to the underground. Shortly thereafter, Procon started removing ice from the ramp and underground workings and continued to do so until August 4 when Wolfden decided to postpone further ice mining until a later date. As a result, Procon removed all equipment from the underground and proceeded to re-seal the portal and vent raise. The Ulu camp was shut down on August 17, 2006.

## 3.0 INSPECTION CONDITIONS AND APPROACH

Mr. Jim Cassie, P.Eng., from BGC conducted the inspection on August 16 and 17, 2006. The temperature during the inspection visit was approximately 10$^{o}$ to 15$^{o}$ C, under generally clear and bright visual conditions.

Each of the facilities was inspected in a walking tour. Pertinent observations concerning physical conditions, erosion and seepage (or lack thereof) were recorded by digital camera and Dictaphone. The transcribed Dictaphone notes and photographs constitute the field record and provide the basis for this formal report.

During Mr. Cassie's site visit, the camp was in the process of shutting down. In fact, Mr. Cassie demobilized from the site on the last plane out from the camp.

## 4.0 FINDINGS AND CONCLUSIONS

The results of the inspection are presented on the following pages in standardised format, complemented by a selection of site photographs. Figures 2 and 3 provide approximate locations for each noted structure. Any specific maintenance or monitoring requirements are documented on the individual sheets.

Outside of some very minor maintenance for the mine sump, all structures were in satisfactory condition with no significant concerns noted.

Should the waste rock and ore storage pad seepage collection facilities be constructed, these structures should be included within the annual inspection program.

## ULU TANK FARM CONTAINMENT BERM

**LOCATION:** Northeast corner of the Ulu camp pad.

**FUNCTION:** Provides secondary containment for five large fuel tanks and numerous barrels of fuel.

**SIZE:** ~20 m wide by ~50 m long.

**BERM HEIGHT:** ~1.5 to 2 m above adjacent grade.

**CREST ELEVATION:** No detailed survey information provided.

**BERM CONDITION:** Berm is constructed from esker sand and gravel and appears in good condition, as shown on Figure 4. No current exposures of the internal geomembrane liner.

**SEEPAGE:** No evidence of seepage observed at the berm toe.

**MAINTENANCE / MONITORING RECOMMENDATIONS:** None.

**CONCLUSIONS:** The berm appears in satisfactory condition.

## DAY TANK CONTAINMENT BERM

**LOCATION:** Adjacent to powerhouse area.

**FUNCTION:** Provides secondary containment for one fuel tank.

**SIZE:** ~5 m wide by ~5 m long.

**BERM HEIGHT:** ~1 to 1.2 m above adjacent grade.

**CREST ELEVATION:** No detailed survey information provided.

**BERM CONDITION:** Berm is constructed from esker sand and gravel and appears in good condition, as shown on Figure 5. No liner exposures.

**SEEPAGE:** No evidence of seepage observed at the berm toe.

**MAINTENANCE / MONITORING RECOMMENDATIONS:** None.

**CONCLUSIONS:** The berm appears in satisfactory condition.

## CAMP 3 TANK FARM CONTAINMENT BERM

**LOCATION:** Far southern end of the esker, west of Reno Lake North.

**FUNCTION:** Provides secondary containment for two large fuel tanks and six smaller skid-mounted tanks.

**SIZE:** ~30 m wide by ~60 m long.

**BERM HEIGHT:** ~1.5 to 2 m above adjacent grade on one side and ~1 to 1.2 m on the other.

**CREST ELEVATION:** No detailed survey information provided.

**BERM CONDITION:** Berm is constructed from esker sand and gravel and appears in good condition, as shown on Figure 6. No liner exposures.

**SEEPAGE:** No evidence of seepage observed at the berm toe.

**MAINTENANCE / MONITORING RECOMMENDATIONS:** None.

**CONCLUSIONS:** The berm appears in satisfactory condition.

## MINE SUMP

**LOCATION:** Directly outside the portal, uphill from both a local access road and the portal laydown pad.

**FUNCTION:** Provides containment for settling and sediment retention of mine water pumped from the decline ramp.

**SIZE:** ~20 m wide by ~30 m long.

**BERM HEIGHT:** ~1.5 to 2 m above adjacent grade.

**CREST ELEVATION:** No detailed survey information provided.

**BERM CONDITION:** Berm is constructed from rockfill (waste rock) and esker sand and gravel, as shown on Figure 7. Geomembrane liner within berm is exposed at several locations. The liner at north end of the pond has become free. As noted previously, some 5 to 6 rockfill fragments have fallen onto the inside face of the berm.

Access road and portal laydown pad located on the downhill side of the sump.

**SEEPAGE:** No evidence of seepage observed at the berm toe.

**MAINTENANCE / MONITORING RECOMMENDATIONS:**

1. The folded free flap of liner at the north end could be held down with some fill to prevent it from becoming loose.
2. Anecdotal information from site indicates no leakage is occurring from the sump when used this year. As such, it appears that no leakage is occurring around the noted rock fragments.
3. Recent information provided by Wolfden notes that the liner used at site was “ArcticLiner”, a PVC alloy material previously supplied by Layfield Plastics for secondary containment. Information for this material notes that it is for exposed applications and hence, no technical need for a covering layer.

**CONCLUSIONS:** Outside of the noted minor maintenance, the sump appears in satisfactory condition.

## PORTAL LAYDOWN (WASTE ROCK) PAD

**LOCATION:** Pad is located just downhill from the portal and local access road, approximately 150 m from East Lake.

**FUNCTION:** Initially constructed from waste rock from the decline ramp development. Appears a minor amount of mine muck material was recently placed on the pad as well, as it now covers a portion of the silt control fence.

**SIZE:** ~50 m wide by ~200 m long.

**PAD THICKNESS:** Ranges from 1 to 5 m above original topography.

**CREST ELEVATION:** No detailed survey information provided. Pad surface graded down towards the southeast.

**PAD CONDITION:** Pad is constructed from rockfill (waste rock), as shown on Figure 8. Toe of the pad sits at the angle of repose for rockfill.

**TOE DISCHARGE:** No significant drainage watercourses observed downhill from the pad.

Any potential pad drainage heads downhill into East Lake.

**MAINTENANCE / MONITORING RECOMMENDATIONS:** No concerns but seepage quantity and quality could be monitored for baseline information. Site staff have undertaken this task and all water sample results are within license requirements.

**CONCLUSIONS:** The pad appears stable with no signs of erosion or instability. Runoff from the pad is collected within East Lake that passes through a wetland before entering Ulu Lake.

## ORE STORAGE PAD

**LOCATION:** Pad is located southwest of the Portal Laydown Pad, approximately 325 m from East Lake.

**FUNCTION:** Constructed from waste rock and then partially covered with esker sand and gravel. The pad was originally constructed for temporary storage of ore before its proposed shipment. Two ore stockpiles are currently located on the pad. Ore appears visually fresh.

**SIZE:** ~100 m wide by ~200 m long.

**PAD THICKNESS:** Ranging from 1 to 3 m above original topography.

**CREST ELEVATION:** No detailed survey information provided.

**PAD CONDITION:** Pad is constructed from rockfill (waste rock) and esker sand and gravel, as shown on Figure 9. Two ore stockpiles located on the east corner of the pad. Toe of the pad sits at the angle of repose for rockfill.

**TOE DISCHARGE:** One small flowing discharge, along with sediment (sand), noted at the toe. Water appeared clear. Small drainage watercourse observed downhill from the pad.

Majority of the pad drainage heads downhill into East Lake.

Some minor pad drainage would head west from the southwest corner of the pad. No drainage was observed in this direction.

**MAINTENANCE / MONITORING RECOMMENDATIONS:** Monitor ore pad seepage testing for quantity and quality (especially arsenic), in agreement with recommendations provided in BGC/Lorax (2005). Gartner Lee undertakes this sampling program on an annual basis.

**CONCLUSIONS:** The pad appears stable with no signs of erosion or instability. Runoff from the pad is collected within East Lake that passes through a wetland before entering Ulu Lake.

## 5.0 CLOSURE

We trust the enclosed report meets your present requirements and we thank Wolfden Resources Inc., to once again be of service at the Ulu Gold Project. If you have any questions or require additional information, please contact the undersigned.

Respectfully submitted,

**BGC ENGINEERING INC.**
per:

Report reviewed by:

James W. Cassie, M.Sc., P.Eng.
Specialist Geotechnical Engineer
*(jcassie@bgcengineering.ca)*

Holger Hartmaier, M.Eng., P.Eng.
Senior Geotechnical Engineer
*(hhartmaier@bgcengineering.ca)*

## REFERENCES

BGC Engineering Inc. and Lorax Environmental Services Ltd., 2005. Ulu Mine Waste Rock and Ore Storage Plan, Ulu Exploration Project. Report prepared for Wolfden Resources Inc., Project No. 0385-002-02, March 21, 2005, 32 pages plus figures and appendices.

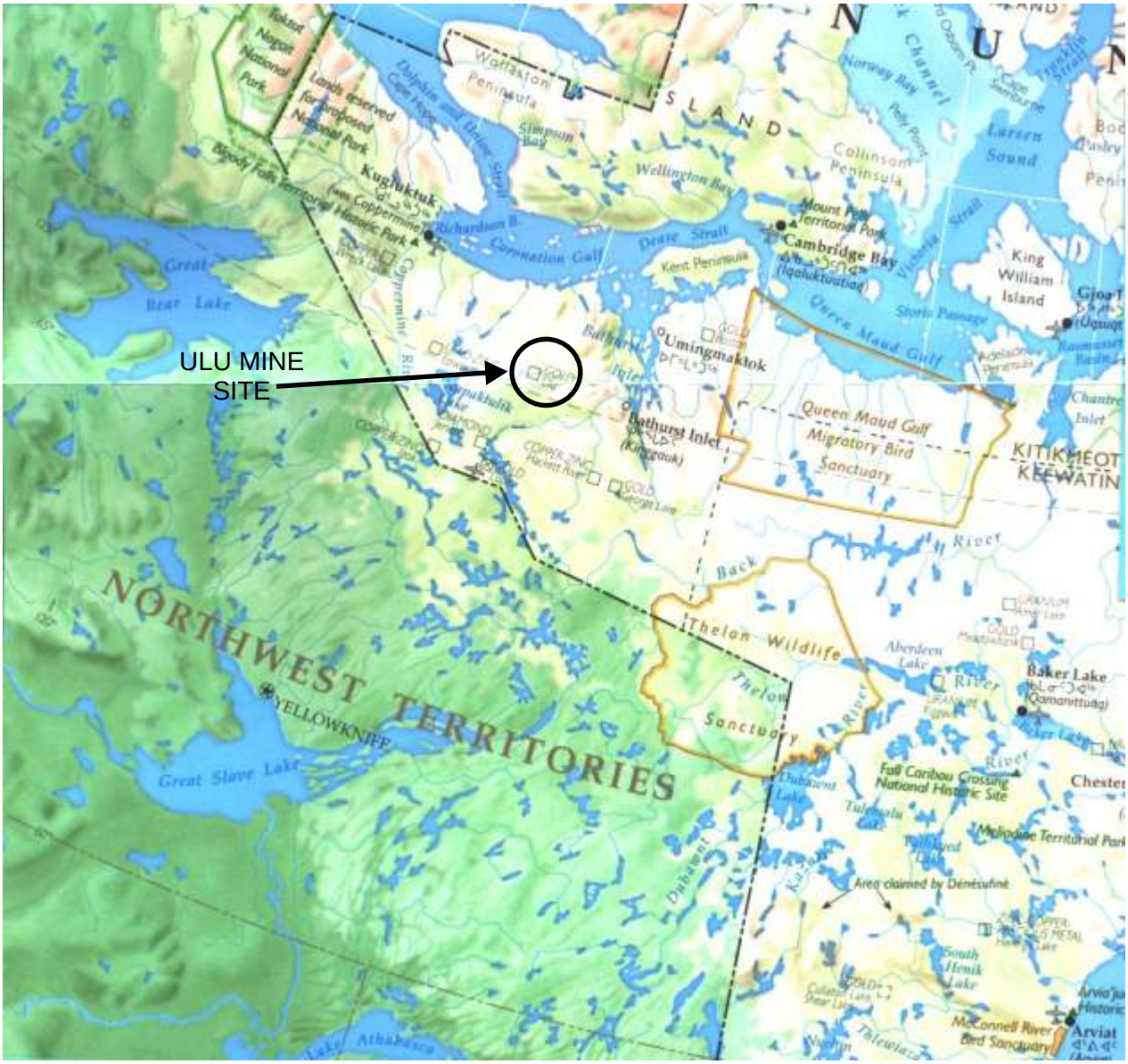
BGC Engineering Inc. 2005. 2005 Annual Geotechnical Inspection, Selected Structures, Ulu Gold Project, NU. Report prepared for Wolfden Resources Inc., Project No. 0385-004-01, September 2005.

BGC Engineering Inc. 2006. Conceptual Design of Tailings Containment Facility, High Lake Project, NU. Report in preparation to Wolfden Resources Inc., Project No. 0385-003-01.

Echo Bay Mines Ltd., 1997. 1996/1997 Report on Exploration Geological Mapping, Sampling and Diamond Drilling, Ulu Property. Internal Echo Bay Report, November 1, 1997, 21 pages plus appendices.

RWDI Air Inc., 2006. High Lake Climate Assessment. Draft Updated Report submitted to Gartner Lee Limited, March 7, 2006, 53 pages.

# FIGURES




Source: Canadian Geographic/Indian and Northern Affairs Canada, 1999



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PROJECT: ULU MINE ANNUAL INSPECTION

TITLE: PROJECT LOCATION PLAN

| PROJECT No. | Figure. No. | REV. |
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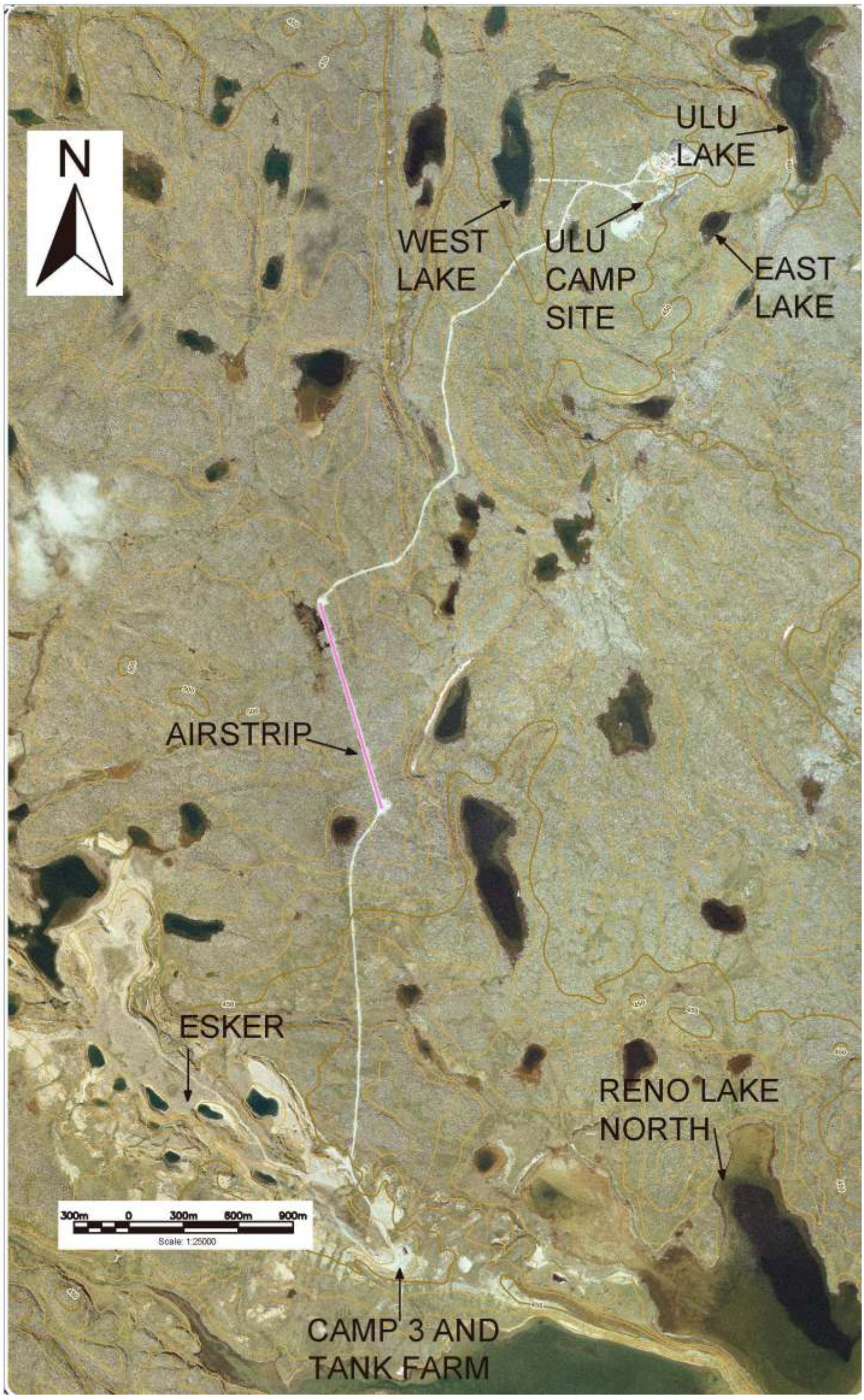




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PROJECT: ULU MINE ANNUAL INSPECTION

TITLE: ULU AREA PLAN

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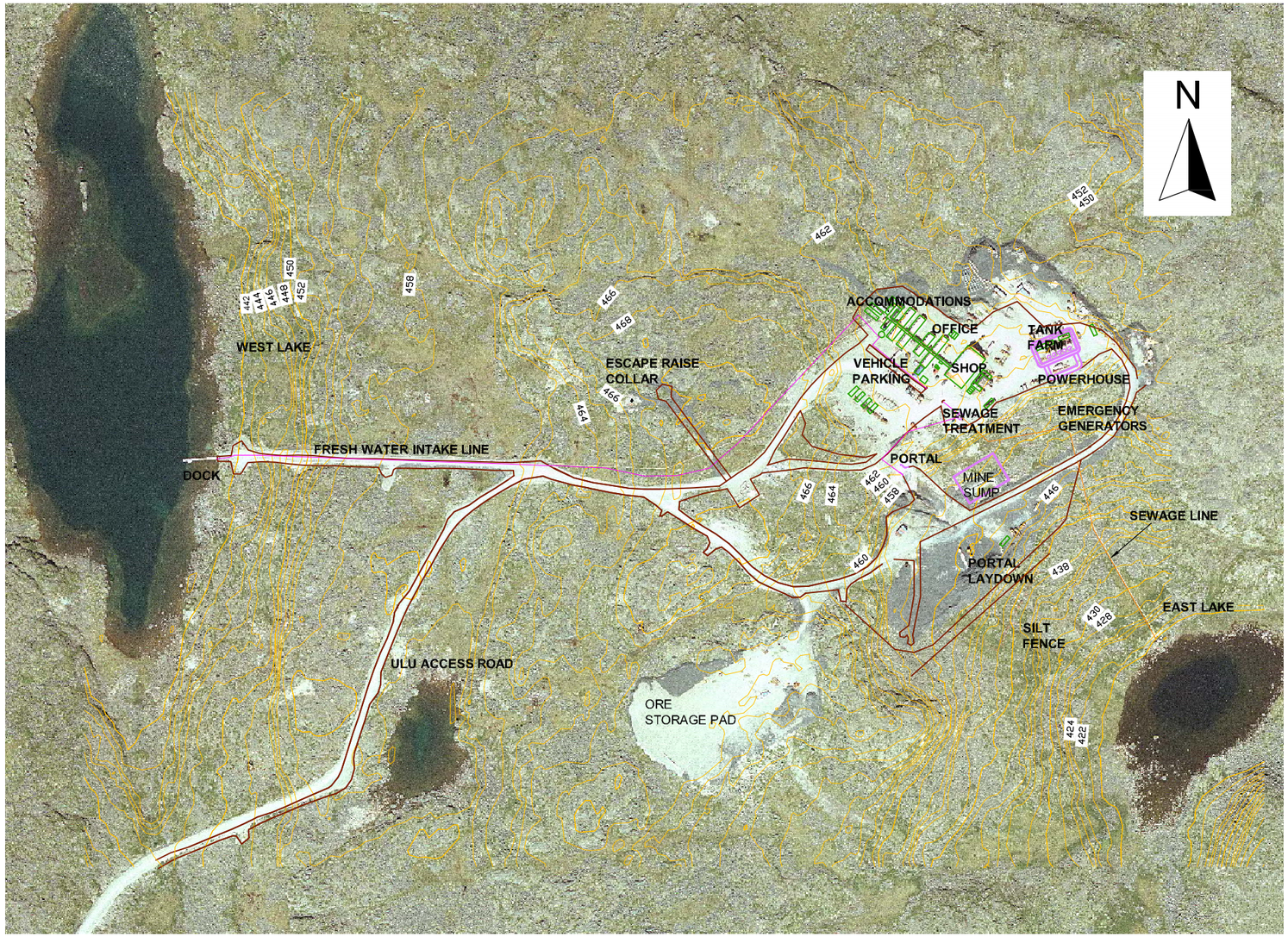


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NOTES:

1. SOURCE: HL-ULU-SITE-05EMAY27.dwg FILE FROM GARTNER LEE.
2. AIR PHOTO DATE: AUGUST 2004.



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PROJECT: ULU MINE ANNUAL INSPECTION

TITLE: ULU CAMP AREA PLAN

| PROJECT No. | FIGURE No. | REV. |
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0385-004-03 Figure 3.dwg

Shows the inside of the sand berm where there's no sign of standing water.

Shows the downstream side of the northern berm, where there is no sign of seepage, sloughing or erosion.

View of the inside of the containment berm, with no signs of erosion, exposed liner or standing water.

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PROJECT: ULU MINE ANNUAL INSPECTION

TITLE: TANK FARM PHOTOS

| PROJECT No. | FIGURE No. | REV. |
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View of the small berm located around the Day Tank.

View of the berm located on the west side of the Day Tank.



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PROJECT
ULU MINE ANNUAL INSPECTION

TITLE
DAY TANK PHOTOS

| PROJECT No. | Figure. No. | REV. |
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There are no signs of standing water inside the berm or any exposure of the liner at this area.

Shows the downstream toe of the east side berm. No signs of erosion, deformation or seepage at this location.

Shows the northeast corner berm with no signs of erosion or deformation.

Shows the inside face of the west side berm. No signs of deformation, erosion, or exposed liner at this location.

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PROJECT: ULU MINE ANNUAL INSPECTION

TITLE: CAMP 3 TANK FARM PHOTOS

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Shows the inside of the Mine Sump where the amount of sediment in the sump bottom can be seen.

Shows the downhill (or eastern side) berm which is composed of rock fill. From this perspective, there is no sign of seepage or discharge at the toe of this berm.

Shows the top of the western berm of the Mine Sump.

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PROJECT: ULU MINE ANNUAL INSPECTION

TITLE: MINE SUMP PHOTOS

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Shows the toe of the waste rock pad. On the left hand side can be seen the sediment control fence.

Shows some new muck placed on the left side of the photo.

Shows a downstream area below waste rock pad. To this distance across the complete toe, no instances of seepage coming directly off this pad have been observed.

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PROJECT: ULU MINE ANNUAL INSPECTION

TITLE: WASTE ROCK PAD PHOTOS

| PROJECT No. | FIGURE No. | REV. |
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Shows the top of the Ore Storage Pad.

Shows a close-up of one small discharge at the toe. Two streams come together into one stream and then flow into a wetlands area located downstream of this pad

Shows a view taken along the toe, with no signs of discharge.

Shows a view along the northern edge of the pad; no signs of seepage or discharge were noted.

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PROJECT: ULU MINE ANNUAL INSPECTION

TITLE: ORE STORAGE PAD PHOTOS

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