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NUNAVUT WATER BOARD
NUNAVUT IMALIRIYIN KATIMAYINGI

File: 2BB-ULU0008/D1/D7/D11

May 12, 2006

By Email and Regular Mail

David Stevenson,
Exploration Manager, Ulu
Wolfden Resources Inc.
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Email: dave.stevenson@wolfdenresources.com

Subject: Wolfden Resources Inc.; Submission of an Interim Water Management Plan, Wolfden Resources Inc., Ulu Exploration Project; Licence 2BB-ULU0008 (Previously NWB1ULU0008)

Dear Mr. Stevenson;

The Nunavut Water Board ("NWB") would like to acknowledge the receipt of the above document under Part D, Items 1, 7 and 11 of Licence 2BB-ULU0008.

Originally, this application was accepted as an amendment application for the deferment of the requirement for all minewater and runoff to be directed to the Retention and Settling/Neutralization Ponds as outlined in Part D, Item 1 and the subsequent disposal of minewater and excess runoff water from the Retention Pond and Settling/Neutralization Ponds. It is understood, via letter dated March 14, 2006 that the Ulu Project is still in the advanced exploration phase and that the ponds described in Part D, Items 1 and 7 have not been constructed. It was determined by the NWB that, an amendment was not required, although approval by the Board of the Interim Water Management Plan is required and has been addressed in this letter.

An Interim Water Management Plan (IWMP) has been submitted by Wolfden Resources Inc. for the Ulu Exploration Project as a preliminary step to the management of mine water under Part D, Items 1 and 7 of Licence 2BB-ULU0008. As an alternative to the management of waters contained in the proposed Retention and Settling/Neutralization Ponds, this IWMP addresses the management and monitoring of drainage from the ore and waste rock storage pads during the exploration program and mine water associated with the ice removal from the underground workings through the mine portal.

In addition to the one-time management of ice from the underground workings, this IWMP addresses the management of flows, water quality monitoring, potential collection, treatment/re-routing and the final disposal of the potential sources of mine drainage from each storage site as identified under Part D, Item 11, within the *Waste Rock and Ore Storage Plan*. The IWMP addresses specifically, the management of seepage and excess runoff water in the absence of the Retention and Settling/Neutralization Ponds.

There are two items that are being dealt with in this approval. The first item is that under Part D, Item 1 where the Licence condition reads:

“All minewater, should it be encountered, shall be directed to the Retention Pond or as approved by the Board.”

This approval letter authorizes the Licensee to direct the mine water (in the form of ice from the Ulu underground portal) to the Waste Rock Storage Pad as described in Section 4.1, Mine Ice Management Plan of the IWMP. All other minewater, should it be encountered, shall be handled as per Part D, Item 1 and be directed to the Retention Pond (currently the mine portal sump) for recirculation or future release under Part D.

The second item before the NWB for consideration and approval is the submission of the Interim Water Management Plan (IWMP) under Part D, Item 7 which reads:

“The Licensee shall submit to the Board for approval, at least sixty (60) days of notification to the Board by the Licensee that operation at the site will be resumed, a proposal for the disposal of mine water and excess runoff water from the Retention Pond and Settling/Neutralization Ponds. ...”

Although the IWMP does not specifically deal with the Retention Pond and Settling/Neutralization Ponds, it provides detail on the interim water management, monitoring and contingency for seepage and runoff from the waste rock and ore storage pads that are planned to be used during the proposed continuation of the Ulu Exploration project. It is estimated that approximately 11,300 tonnes of ore and 6,400 tonnes of waste rock will be extracted for storage on the pads. These volumes of materials are considerably less than those proposed in the 2005 Waste Rock and Ore Storage Plan (approximately 1/10th).

The technical review of the Interim Water Management Plan has been completed. In addition, the IWMP was distributed via notice, to interested persons with a submission deadline of April 27, 2006. Responses were received from the Government of Nunavut Department of the Environment, Department of Culture Language Elders and Youth and Environment Canada. A summary of the concerns brought forward by the parties included:

- A metals (32 element ICP¹) scan should be completed for both total and dissolved metals;
- In addition to the sampling outlined in the IWMP, all weekly sampling is to be completed as per SNP requirements;
- The reactive management mechanism proposed has a minimum 2 week lag time between any possible surface water contamination and the laboratory results, followed by a period of development and approval of any adaptive management response. This timeframe needs to be decreased; and
- In order to reduce the response time to triggers, a more detailed contingency plan should be provided to be pre-approved by the NWB to reduce potential affects should water quality problems occur.

After having taken into consideration the information submitted along with the comments received from interested persons, the **Board hereby accepts and approves, with the following conditions and clarifications, the Interim Water Management Plan, including the Mine Ice Management Plan, under Motion 2006-08, dated May 12, 2006.**

¹ Total and dissolved metals are included in both Tables 3 and 5 of the IWMP however no indication is given as to the metals to be analysed. Table 9 of the Waste Rock and Ore Storage Plan, March 2005, recommends a 32 element ICP scan for the metals.

CONDITIONS APPLYING TO THIS APPROVAL

1. This approval allows for the removal of built-up ice from the mine underground portal and deposition to a location on the southwest corner of the waste rock storage pad, as close to the perimeter as possible, during the 2006 exploration program;
2. The Licensee shall implement the Interim Water Management Plan as approved, along with the additional conditions contained within this approval;
3. The NWB recognizes that the Interim Water Management Plan has been developed for the short term and will be re-evaluated for the adequacy and appropriateness of the Plan as indicated in Section 3.6. The operational plan submitted under Part D, Item 11 for the Waste Rock and Ore Storage maintains that collection ditches and holding ponds will be an integral part of the operations.
4. In order to improve upon the 2-week lag time (reduction in response time) between collection and receipt of results, the Licensee shall work with the laboratory to obtain a preliminary report of results in order to be proactive in re-sampling and confirmation of any results that may warrant a compliance concern, or require the reactionary management measures in response to the trigger or threshold;
5. The Licensee shall, upon confirmation of analytical results that exceed the effluent quality in Part D, Item 4 of Licence 2BB-ULU0008, halt any further deposition of underground ice on the waste rock storage pad and immediately contain, collect and transfer seepage and runoff water from the pads, to the portal sump for further assessment. All remaining ice on the storage pad shall be removed to the portal opening;
6. Any non-compliance with the effluent quality requirements set out in Part D, Item 4 shall be reported immediately to the INAC Water Resources Inspector at 867-975-4298.
7. The monitoring of the associated water release from the Mine Ice Management Plan will be carried out concurrently with the monitoring of seepage from the waste rock and ore storage pads under the IWMP during the 2006 exploration program;
8. Monitoring at Station 200-4 (outflow East Lake) is to be carried out weekly during periods of flow occurring at the toe of the pads. This requirement is detailed in Section 3.1 of the IWMP, however Table 3 does not indicate a frequency. This weekly monitoring, as indicated in Table 5 for monitoring during ice excavation and melt, shall continue for a minimum of three weeks after ice is no longer present at the placement site *even if flow is not observed* at the pads.
9. Monitoring at Station 200-5A² (Inflow to Ulu Lake from East Lake) shall be added to Table 3 and Table 5 of the IWMP with the same frequency and parameters as Station 200-5.
10. The Licensee shall measure (or accurately estimate) in cubic metres the volumes of water released annually from the mine portal sump to be reported along with the sample results under Section D of the Surveillance Network Program.
11. During periods of observed flow from the waste rock and ore storage pads, the Licensee shall determine a flow rate and volume, measured (or estimated) at the time of sampling, to be

² Table A, Schedule 1 of Licence 2BB-ULU0008

associated with the water quality monitoring in order to assess a contaminant loading to the East Lake drainage and corresponding input to Ulu Lake.

12. When flow is not observed (or indiscernible) at the outlet of East Lake or the inflow to Ulu Lake , during the required open water monitoring period, the sample station referred to in the IWMP and Table A of the Licence (Station 200-4) shall be located at the nearest representative point at the shorelines of East Lake and Ulu Lake.
13. The Licensee shall utilize sedimentation prevention and control measures, including the use of temporary silt curtains and/or silt fences at the location of seepage near the toes of the storage pads. These measures shall be implemented upon determination of seepage for the purpose of monitoring at the waste rock and ore storage pads and maintained during the operation to prevent entry of sediment into water.
14. All monitoring requirements of Licence 2BB-ULU0008 remain in effect.
15. All monitoring data generated under the Interim Water Management Plan and this approval shall be reported monthly as per SNP Section D1 and within the Annual Report, as per Part B, Item 5 of Licence 2BB-ULU0008.
16. Additional analyses and reporting may be required on an as-needed basis or upon the request of an Inspector.

Should you have any further questions, please feel free to contact the undersigned at (780) 443-4406, or Mr. Philippe di Pizzo, Chief Administrative Officer at (867) 766-3212, at your earliest convenience.

Yours truly,

Original Signed By:

David Hohnstein, C.E.T.
Technical Advisor Mining

Cc: Distribution list