

MAY 30 2002  
 YELLOWKNIFE VALLEY  
 LAND & WATER BOARD  
 BOARD ROOM

**NORTH AMERICAN TUNGSTEN  
 CORPORATION LTD.**

May 29, 2002

Mackenzie Valley Land & Water Board,  
 Box 2130,  
 7<sup>th</sup> Floor, 4910 - 50<sup>th</sup> Avenue,  
 YELLOWKNIFE, NT X1A 2P6

Attention: Melody J. McLeod, Chair

Dear Ms. McLeod:

Re: Renewal of Water Licence N3L2-0004

VIA FAX: 867-873-6610  
 Mackenzie Valley Land  
 & Water Board

file \_\_\_\_\_

MAY 29 2002

Application # N3L2-0004  
 Copied To KC/PLM/LC/LSM/Reg

In preparation for the presentation of our water licence renewal application, and following receipt of Mr. Bob Wooley's letter to us of April 26, 2002, we have had our lawyer David H. Searle speak to your Board's counsel, John Donihee. Mr. Donihee has apparently advised the Board that in his opinion, North American Tungsten is applying for a new licence to use water and not, as we and our assignors Canada Tungsten have been led to believe, the renewal of our current licence.

Mr. Donihee's opinion continues to cause us considerable concern. We would like to ensure that our licence can be renewed prior to its September 2002 expiry date. We are, of course, anticipating and preparing for a rigorous screening at the hearings the Land and Water Board may hold and the concomitant public review and debate that customarily occurs prior to the Board's decision on our application.

As you may know, Mr. Searle does not share Mr. Donihee's opinion. He therefore asked local Yellowknife counsel John Bayly to examine the Water Register in your office. Mr. Bayly reviewed the Register back to the initial application made in 1974, paying special attention to the way the Board has over the years considered Canada Tungsten's applications. Mr. Bayly also looked at the language used by previous Board chairpersons and by you to describe the process which Canada Tungsten, and now by virtue of licence assignment, North American Tungsten have gone through in order to maintain its valid water use licence. Mr. Bayly also looked for those things on the Water Register which might have caused the Board to change its position with respect to the current licence renewal application.

What Mr. Bayly discovered on the examination of the Water Register includes the following:

P.O. BOX 19, #1400 - 1188 WEST GEORGIA STREET • VANCOUVER, BC • V6B 4A2  
 PHONE: 604-684-5300 • FAX: 604-684-2992  
 www.northamericantungsten.com

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1. That the MVLWB and its predecessor the Northwest Territories Water Board have consistently since the original licence was granted in 1975 considered each of Canada Tungsten's licence applications to be licence renewal applications.
2. That succeeding chairpersons of the Board have, on renewing the Canada Tungsten licence, written to the licensee when sending the company its licence. Among other things, the covering correspondence has invariably contained or has had attached for the information of the licensee, instruction to caution the licensee that it is up to the licence holder to take the necessary steps to renew its water licence in a timely fashion to ensure it would not be allowed to expire.
3. That in correspondence to North American Tungsten on November 21, 2000, June 15, 2001 and January 10, 2002, the Mackenzie Valley Land & Water Board advised North American Tungsten of its licence renewal obligations. The Board's representatives have continued to do so after February 15, 2002, the date lawyer John Donihee was sent a copy of its licence as it was renewed in September 1995.
4. That in correspondence found on the Water Register, right up to the present, Board officials continue to refer to the application as being for the renewal of North American Tungsten's water licence.
5. That on the Register is an e-mail from Jane McMullen to Board staff person Laurie Cordell. In that e-mail, Ms. McMullen quotes from Board minutes apparently sent to her. Those minutes from a November 2001 Board meeting include the following:

"The upcoming renewal of the water licence was discussed. It was explained that North American Tungsten's interpretation of the legislation indicated that there should be no reason for the renewal to move beyond the authority of the MVLWB and that an environmental assessment under the WVEIRB would not be necessary. The MVLWB confirmed that NAT's interpretation appeared to be correct, however there would likely be efforts from third party interests to try to force renewal into an environmental assessment."

6. That on May 9, 2002 in an exchange of e-mails on the Water Register between Mr. Eric Hopkins, a DIAND official and your staff person Ms. Laurie Cordell, it was confirmed to Mr. Hopkins that screening was in progress and that our application had not been referred to an environmental assessment.
7. That the Board's Public Notice of the June 14, 1995 Fort Simpson Water Board Hearing regarding licence N3L2-0004 announced the purpose of the hearing was "RENEWAL OF LICENCE".

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After he had examined the Water Register, Mr. Bayly spoke by telephone to Mr. Donihee and he shared his findings and views with your counsel. He asked Mr. Donihee to consider the facts that Canada Tungsten and North American Tungsten by assignment have continuously held a water licence since June 1975. No Tungsten mine water licence has ever been allowed to expire. When Canada Tungsten applied to the Board it was always for the renewal of its water licence. It was granted renewed licences only after public hearings were called, Board deliberations had taken place, recommended licence provisions had been submitted to the Minister whose approval was given.

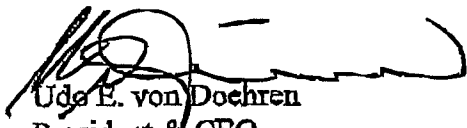
We know our water licence is not a negotiated instrument and that there is no "option to renew" as there might be in a lease or a contract. We understand that the terms of our renewed licence are matters in the Board's discretion. We recognize that the screening process and public hearings may be rigorous and demanding.

During their discussions Mr. Donihee acknowledged to Mr. Bayly that there were two ways of looking at this jurisdictional issue. He advised that your Board is to meet May 30<sup>th</sup> to discuss this matter. He told Mr. Bayly he would brief the Board on both his initial opinion and Mr. Bayly's views as expressed in their discussions.

We urge you to consider our licence renewal application in the context of the licencing history of the project and the conventions and practices of the current Board and its predecessor.

You have our earlier correspondence which refers to the provisions of s. 157.1 of the Act. That section gives the Land & Water Board its jurisdiction in licence renewal applications such as ours. We do not think the Board can delegate that responsibility to another regulatory body. Furthermore, because of the September 29, 2002 expiry date of our water licence, it might become necessary to extend the licence beyond the September expiry date to ensure that the mine can continue to operate pending conclusion of the licence renewal process.

Yours sincerely,  
North American Tungsten Corporation Ltd.



Udo E. von Doehren  
President & CEO