



March 18, 2010

BY EMAIL

Kevin Robertson  
Resource Management Officer  
Qikiqtani Region  
P.O. Box 100  
Iqaluit, NU X0A 0H0

Dear Mr. Robertson;

**RE: 2009 INAC FIELD INSPECTION AND REPORT BY K. ROBERTSON  
LUP N2008C0026 , ANGILAK PROJECT, YATHKYED LAKE  
KIVALLIQ ENERGY CORPORATION**

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This letter is in response to your Field Inspection Report under LUP N2008C0026. We have reviewed your letter (dated January 18, 2010, received February 4, 2010) and the attached Inspection Report Form (dated July 25, 2009) and provide the following in response. First, please be advised that we cannot sign the Inspection Report Form that you sent due to concerns regarding accuracy and timing.

**Incongruent Dates – Late Reporting**

Although dated July 25, 2009, it is clear that comments and observations in this inspection report were added much later and after your visit to site. Some comments refer to events which had not yet taken place and in fact comprise part of a water licence inspection conducted by Andrew Keim when he visited the site on August 11, 2009. Kivalliq Energy responded to Mr. Keim's inspection report on November 11, 2009 and yet you make no mention of this in your letter dated January 18, 2010.

In addition, Kivalliq Energy was unaware of your inspection until we received your letter and inspection report six months later on February 4, 2010. We feel it's important to note that at the time of your inspection, the camp was not operational and the program had not yet started.

**“Issues Identified during Inspection”**

*Campsite described as “dismantled and half erected”:*

This description implies dereliction. In fact, what you saw was a variety of wood frames and platforms used for different types of tents, neatly winterized and closed since 2008. You also note that the camp was in the same state on August 11, 2009 which is incorrect. At the time of Mr. Keim's inspection on August 11, the camp had been re-established and was fully operational.

*Fuel barrels “scattered throughout the camp”:*

Fuel and empties were actually neatly clustered in rows and clearly marked with pickets behind camp. Although you note secondary containment was not in place during the winter hiatus, it was used at all fuelling stations while the camp was operational.

*No records of water use:*

Camp was closed during your inspection and your reference to a lack of record keeping is incorrect. Records were kept during operations, and they will be submitted as part of the annual report.

*Waste disposal and kitchen grease trap:*

Again, the camp was closed during your inspection.

*Relocation notification:*

It appears that you may be out of the loop on the status of camp amendments and relocation. An amendment application was submitted to INAC and the NWB to relocate the camp after the 2009 program. This was approved by INAC and NIRB in May 2009 and final approval from NWB/EC/DOE was just received on January 25, 2010. In addition, Mr. Keim was flown to the proposed new camp location for input during his site inspection.

*Fuel spill:*

Your reference to the fuel spill that occurred at site is misplaced given that the date on your inspection report form is July 25, well before the date the spill occurred. As well, your comments that the fuel spill “clean-up was insufficient” are unfair given that you never visited the actual spill site, and Mr. Keim only viewed it from afar. We believe our efforts were sufficient, we responded to this single-drum incident by notifying appropriate agencies, followed our approved Spill Plan and conducted follow-up water testing, the results of which indicated no presence of any hydrocarbons. This incident was fully documented and will comprise part of our annual report.

Companies like Kivalliq strive to operate responsibly and exceed conditions set out by regulators. However, the inspections and collaborative reporting noted herein seem neither impartial nor timely. We welcome a response to concerns regarding this inspection report, and look forward to a much more constructive and cooperative process with INAC.

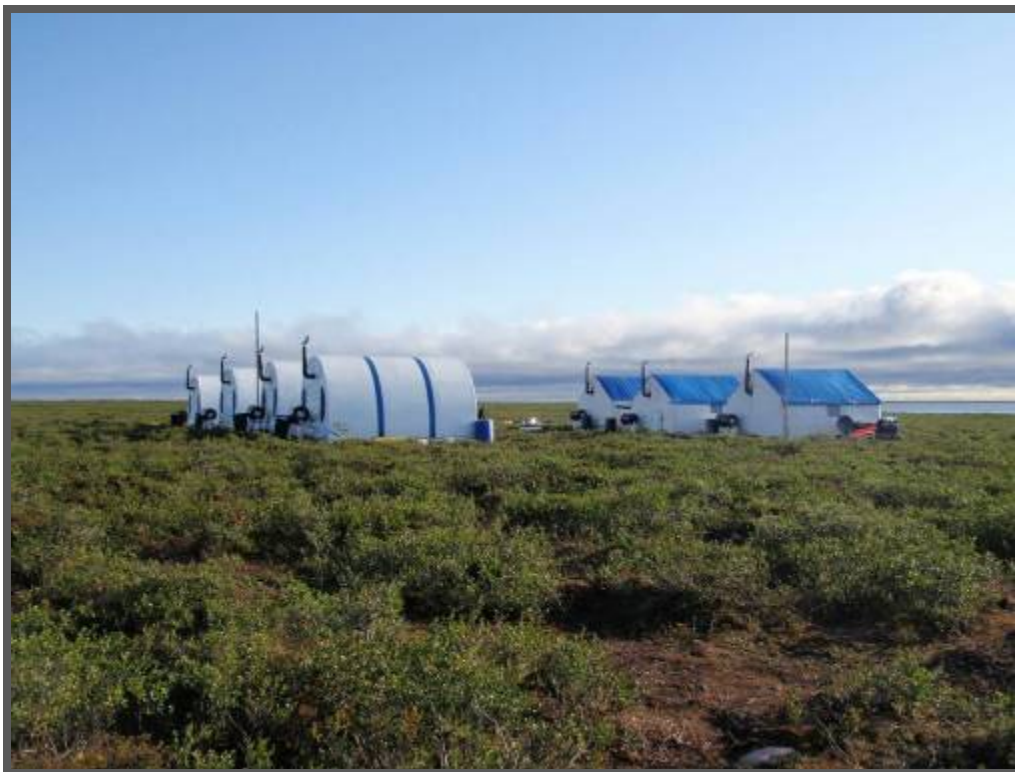
The July 25, 2009 Inspection Report and photographs illustrating some of our comments are attached for reference.

Regards,  
Jeff Ward  
Vice President of Exploration  
Kivalliq Energy Corporation

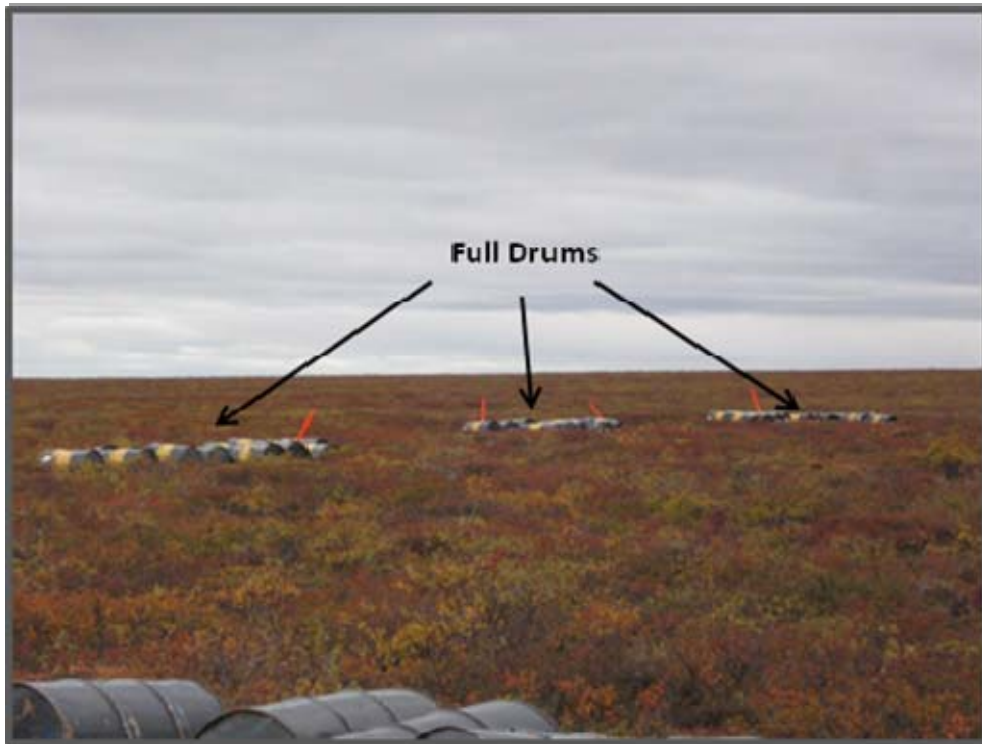
Cc: Allison Rippen Armstrong  
Bernie MacIsaac, INAC  
Peter Kusugak, INAC  
Spencer Dewar, INAC



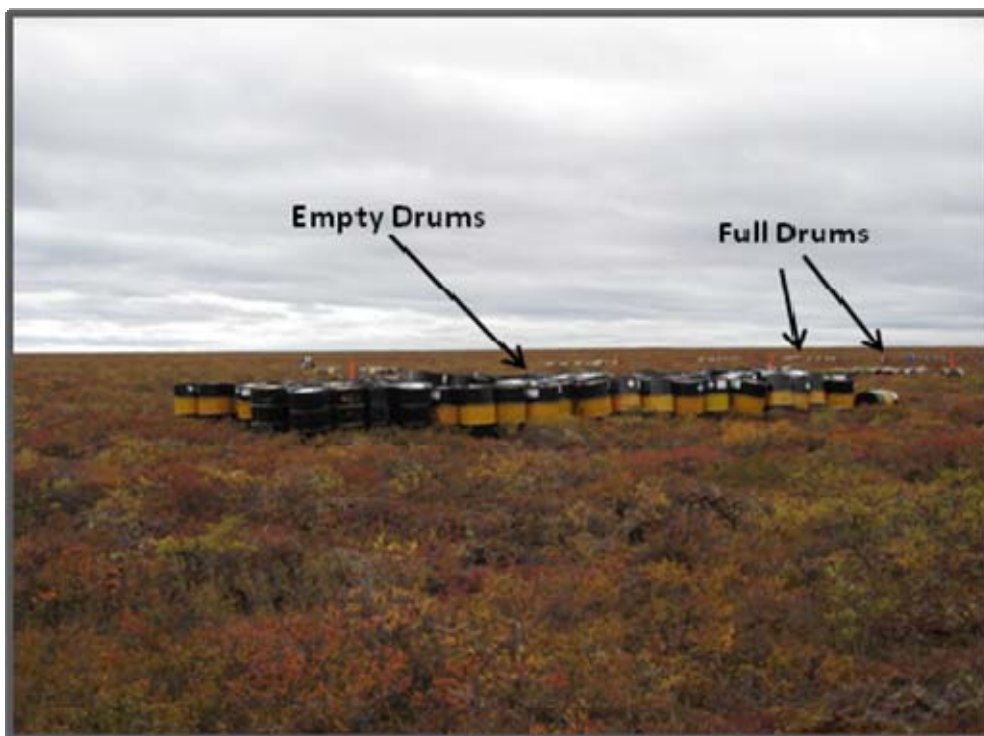
**Closed and Winterized Angilak Camp, 2008/2009**



**Angilak Camp Operational, August 2009**



**Rows of full drums stored behind Angilak camp**



**Rows full drums and central empties cache behind Angilak camp**



**Secondary containment at tents**



**Secondary containment at drill rig**



**Secondary containment at camp generator**





Indian and Northern  
Affairs Canada

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et du Nord Canada

Qikiqtani Region  
P.O Box 100  
Iqaluit, NU  
X0A 0H0

Kivalliq Energy Corporation  
1440-625 Howe Street  
Vancouver BC V6C 2T6.  
Attn: Mario Roy

January 18, 2010

RE: Field Inspection LUP N2008C0026 Angilak Project. Yathkyed Lake.

On, July 25, 2009 I conducted a field inspection at the above mentioned location.

A copy of the Inspection report is attached. After reading the report please sign and return a signed photocopy to my office. If you have any comments or suggestions please feel free to attach them to the copy of this report.

I apologize for the delay in forwarding this report to you.

**Issues Identified during the inspection:**

**Campsite:** The campsite was half dismantled and half erected. It was pointed out to me that there were plans to move this camp to another site but as of this inspection date and that of August 11<sup>th</sup>, 2009 (when Water Inspector Andrew Keim was at the site), the state of the camp was virtually the same.

**Fuel Storage:** There were at least 200 fuel barrels scattered throughout the camp site and that no secondary containment measurements was in use. It is a requirement that all fuel storage barrels be situated in secondary containment (such as portable berms) in order to protect the environment.

**Water:** WRO Keim noted that there had been no record of water usage at the camp. This situation will have to change in the upcoming 2010 inspection season.

**Waste:** There were no great problems noted with the waste disposal system although a kitchen grease trap should be installed for the upcoming season.

**Drilling activities:** Nothing observed during the July 25<sup>th</sup> inspection.

**Comments:** Notification of relocating this camp must be sent to our offices and 48 hours of notice of commencement of activities is also a requirement. We must also be advised 10 days in advance of the end of activities at the site. You can contact me at the numbers listed below.

Canada

Please do not hesitate to contact me should you have any questions or comments.

Sincerely,



Kevin L Robertson  
Resource Management Officer  
Qikiqtani Region  
PO Box 100. Iqaluit. Nu  
X0A 0H0  
Tel: (867) 975-4296  
Fax: (867) 979-6445  
Kevin.robertson@inac.gc.ca

cc: Land Administrator, INAC

CIDM #386044

cc. A Keim

# ENVIRONMENTAL INSPECTION REPORT

Permittee: (complete name and address)

Kivalliq Energy Corp. 1440-685 Havelle St.,  
Thamesville B.C. V6C 2T6

| Land Use Permit No.    | Permit Expiry Date     | Last Previous Inspection |
|------------------------|------------------------|--------------------------|
| <u>N2008E10026</u>     | <u>2010-08-07</u>      |                          |
| Quarrying Permit No.   |                        |                          |
| <u>Water licence 1</u> | <u>2 B.E.-AUG-0813</u> |                          |
| Contractor:            | <u>Mario Roy</u>       | Subcontractor:           |

Location(s) Inspected:

Major Composite Q York Road Lake Anglique Project  
Looking Strip 31-576030'45" W, long 98°55'55" W

Current Stage of Operation:

Composite cleared 4 foot pit forms 2 others  
being dismantled, overall blue tarp roof

Program Modifications Approved:

Condition of Operation "A" - Acceptable "U" - Unacceptable "N/A" - Not Applicable

|   | Operating Condition          | Aspect Inspected |                             |  |
|---|------------------------------|------------------|-----------------------------|--|
| A | Location as Permitted        | A                | at designated location      |  |
| B | Timing as Permitted          | A                | as per approved application |  |
|   | Equipment as Approved        |                  |                             |  |
| D | Methods & Techniques         |                  |                             |  |
| E | Facilities                   | A                |                             |  |
| F | Erosion                      |                  |                             |  |
| G | Chemicals, Waste             | A                | no signs of spill           |  |
| H | Wildlife & Fisheries Habitat |                  |                             |  |
| I | Ecological Resource          |                  |                             |  |
| K | Fuel Storage                 |                  |                             |  |
| L | Brush Disposal               | N/A              |                             |  |
| M | Matters Not Inconsistent     | N/A              |                             |  |
| N | Water Engineering            | "U"              | No records available        |  |
| O | Water Supply                 |                  |                             |  |
| P | Restoration                  | N/A              |                             |  |
| Q | Quarrying Methods            | N/A              |                             |  |
| R | Sections 12 to 19 T.L.U.R.   | N/A              |                             |  |
| S |                              |                  |                             |  |
| T |                              |                  |                             |  |

Surveillance Network Program

Drilling activities watercourses the line of inspection

Explanatory Remarks (attach page 2, if required)

However, when A debris impacted site on Aug 11/2008  
A fire with 1000 ft. diameter was in south west, A was  
camp location is planned for 2010, A will be notified before  
inspection on 2010

Page 2 attached ☐ Yes ☒ No

Representative's Signature

RMO Initials

Inspector's Signature

Representative's Title

District Mgr. Initials