

October 18, 2007

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Dear Mr. Keim:

RE: RESPONSE TO INSPECTION REPORT OF JUNE 26, 2007 SITE INSPECTION

We have reviewed your inspection report of the July 31, 2007 which we received on October 10, 2007 and offer the following:

July Activities

The following activities were undertaken during the month of July:

- The Kivalliq Inuit Association (KIA) Wildlife Monitors were on site until July 18th monitoring the movement of the caribou through the project area
- Starfield Environmental Technicians conducted wildlife monitoring and surveys
- Hydrology Baseline Monitoring Program
- Clean up at the Old Camp location on the island
- 5 Weather Haven tents were moved from Old Camp to the new camp location
- Site visits included:
 - FSC Engineers, who developed a fuel containment report and a water system report
 - KIA, who conducted a land use inspection under both the Commercial Lease and the Land Use Licence
- New camp construction activities included:
 - New kitchen
 - Plumbing
 - Maintenance
 - Installation of secondary containment near the generator, helipad and gas refuelling station

August Activities

The following activities were undertaken during the month of August:

- Drill site remediation of historical and Starfield drill holes
 - This was initiated on August 12th and was completed mid October
 - This included the removal of cuttings and garbage
 - Drill steel and casings were cut off and removed
- Hydrocarbon Assessment Sampling of contaminated areas and suspected contaminated areas (Rescan)
 - The results of this sampling, along with last year's sampling program, will be compiled and used toward the development of a Remedial Action Plan. This plan will be circulated for review, comments and approval.
- Archaeological Surveys and Assessment

- Water quality surveys and Baseline Monitoring Program
- Aquatic survey and Baseline Monitoring Program, including fish
- Wildlife Monitoring and surveys continued
- Hydrology Baseline Monitoring Program continued
- New camp construction activities included:
 - New kitchen completion
 - Construction of tool shop
 - Construction of heavy equipment shop
 - Site selection and excavation of the secondary containment facility for bulk fuel
 - Excavation of new sump for gray water
- Reclamation/clean up of Old Camp included:
 - Removal of big shop
 - Removal of old open burn barrel
 - General clean up
- Exploration Activities included:
 - Mapping
 - Surface sampling

September Activities

The following activities were undertaken during the month of September:

- Water Quality Baseline Monitoring continued
- Aquatic survey and Baseline Monitoring Program continued
- Hydrology Baseline Monitoring Program continued
- Site Visits Included:
 - Analysts tour
 - Local business and political leaders tour
 - INAC Water Resource Officer, David Ningeongan, who conducted an inspection
- New camp construction activities included:
 - Transport of HDPE fuel liner and geotextile liner to site
 - Completion of heavy equipment shop
 - Installation of boiler heat system
 - Installation of potable water system
- Reclamation/clean up of old Inco site (never occupied by Starfield) included:
 - Removal of all garbage, drums and buildings
 - One building was left standing as it contained Amonia Nitrate – Starfield is awaiting advice on the safe removal of this material
- Exploration Activities included:
 - Drilling began September 17th, 2007
 - Total of 750 metres drilled
 - Pump shack was moved as requested by David Ningeongan during his inspection
 - Total water used for drilling = 352.72 cubic metres

October 1st and 2nd Activities

The following activities were undertaken during the month of October:

- Continued drilling – one drill
- Continued camp construction

Table of Camp Statistics

Population	Total Man Days (including visitors)	Local Days	Hire Man	Percent camp	Local Hires	inAverage # of People in camp per day
July	592		335		57%	19
August	780		337		43%	25
September	915		374		41%	30

Camp Water Usage	Camp	Fire stations	Drilling	Total
July	54.33 m ³	6.78 m ³	-	61.11 m ³
August	71.6 m ³	2 m ³	-	73.60 m ³
September	68.01 m ³	0	352.72 m ³	420.73 m ³

Part D: Conditions Applying to Waste Disposal

The incinerator is still located at the Old Camp. The helicopter on site this summer was not capable of lifting the incinerator to the new site. Waste was being ferried back to the island for incineration.

A new incinerator has been purchased and is currently in Rankin Inlet awaiting overland transportation under snow and ice conditions. The specifications for this incinerator are attached at the end of this letter. As well, the Waste Management Plan for the Ferguson Lake Project is being provided with this letter, please see attached. The burn barrel has been removed from Old Camp and there is absolutely no open burning at site.

There is no question that there was poor hydrocarbon containment at Old Camp. The hydrocarbon contamination dates back over many years, including pre-Starfield. This year Starfield (Rescan) conducted the second year of sampling as part of a hydrocarbon assessment. The results of these sampling programs will be used toward the development of a Remedial Action Plan. This plan will be circulated early 2008 for review, comment and approval.

Geotextile liner has been purchased and shipped to site. An area was selected and prepared for secondary containment for bulk fuel, see the attached photos. Starfield is currently reviewing the appropriateness of Instaberm for holding fuel drums. Secondary containment is in place near the generator, helipad and gas refuelling station.

Hazardous waste is currently being stored on site. Some of this waste dates back a number of years. Starfield has drafted a Hazardous Waste Management Plan and is currently in discussions with the Hamlet of Rankin Inlet to review both the Waste Management and Hazardous Waste Management practices of the Hamlet. The Hamlet has undertaken a pilot recycling program which Starfield is participating in. All hazardous waste will be registered for transport/shipping and will be disposed of at approved facilities. No shipping of hazardous wastes will be conducted prior to the Hazardous Waste Management Plan being finalised and approved. No hazardous waste was shipped from site in 2007.

Improvements have been made to the grey water sump but are on-going. The grey water pipeline and lift station are currently under construction and the sump has been constructed based on recommendations during both this inspection and a subsequent

inspection with the KIA. This will be in operation by January 2008. Pacto Toilets are in use at Starfield. The waste is then incinerated.

Part E: Conditions For Camps, Access Infrastructures and Operations

There were no on-ice activities other than overland hauling of materials to camp.

Part F: Conditions Applying to Drilling Operations

Drilling commenced on September 17, 2008. The falcon nest that had been occupied was empty prior to the start-up of the drill program. Monitoring of the nest was conducted by the Environmental Technicians hired this year to work at site. A total of four technicians were hired from local communities, working two at a time on a two week rotation. The technicians received training in all of the baseline monitoring programs being conducted on site in 2007 as well as in spill response and conducting internal inspections and monitoring.

Part H: Conditions Applying to Spill Contingency Planning

As stated earlier, this year was the second year of sampling as part of a hydrocarbon assessment of the Old Ferguson Lake camp. The results will be the base of the Remedial Action Plan that is currently being developed for circulation in January 2008 for review and approval. The Hydrocarbon Assessment Reports for 2006 and 2007 will also be submitted with the 2007 annual water licence report.

A heavy equipment shop has been constructed at the new camp. The shop has been lined and then covered with geotextile fabric with esker material placed over top.

Part I: Conditions Applying to Abandonment and Restoration or Temporary Closing

The reference to returning Old Camp to "in-as-close to a pre-Starfield occupancy state" in the current Abandonment and Restoration Plan was made with regard to the buildings on the island. Some of the buildings on the island still belong to the Ferguson Lake Fishing Lodge. Starfield will remove, and has been removing, all of the buildings that have been constructed and/or brought to site for the Ferguson Lake project. Starfield is also responsible for the clean-up and removal of all hazardous wastes and contaminated soils. The Remedial Action Plan being developed will deal specifically with the hydrocarbon contamination. A full description of all reclamation activities will be submitted with the 2007 annual water licence report.

Non-Compliance

As the Inspector correctly points out, Starfield's water licence expired on June 30th, 2007. A renewal was not granted until October 2nd, 2007. A summary of activities conducted during the time that Starfield operated without a water licence have been included in this letter.

It was not the intention of Starfield to operate without a water licence and it is our expressed desire that this situation does not occur in the future. Starfield is committed to working together with all of the regulatory agencies, communities and interested parties to ensure the success of this project, compliance with the terms and conditions of the licences and permits, laws and regulations, and to promoting opportunities to local

people and Inuit owned businesses.

We thank you for your comments and advice provided during the inspection and in this inspection report.

If you have any further questions or comments, or require any additional information, please do not hesitate to contact Allison Rippin Armstrong at (780) 995-2499, email ar_enviro@yahoo.ca.

Kind regards,

Starfield Resources Inc.

Andre J. Douchane, President & CEO