



AANDC, Nunavut District Office
Field Operations
P.O. Iqaluit, NU, X0A 0H0

May 7, 2013

Starfield Resources Inc.
120 Adelaide Street West, Suite 900
Toronto, Ontario
Canada M5H 1T1
Phone: (416) 860 0822
Fax: (416) 860 0822

RE: Water Licence 2BE-FER0712 Inspection Report

Please find attached a report on the water license inspection conducted at the Ferguson Lake Project on the 13th of July, 2012. Included at the end of the report is a summary of observations made during the inspection with respect to issues of non-compliance or non-conformity with the water license or the *Nunavut Water and Nunavut Surface Rights Tribunals Act*, and the actions required of Starfield Resources Inc. as a result.

The role of Aboriginal Affairs and Northern Development Canada (AANDC) in issues related to the use of water or deposit of waste in Nunavut is one of compliance, monitoring, and enforcement. AANDC's preferred option is to work with clients to address instances of non-compliance with their authorizations or the Act and risks to the environment.

Should you require more information or clarification on any aspect of the enclosed report please contact the undersigned at the coordinates listed below. I look forward to continuing to work with you and your staff. If you have any questions please do not hesitate to contact our office here in Iqaluit.

Sincerely,

Christine Wilson
Resource Management Officer
Field Operations, Nunavut Regional Office
Aboriginal Affairs and Northern Development Canada
P.O. Box 100, Iqaluit, Nunavut, X0A 0H0
Ph: (867) 975-4296, Fax: (867) 979-6445
Email: Christine.Wilson@aandc.gc.ca



License #: **2BE-FER0712**

Inspector: **Christine Wilson**

Inspection Date: **July 13th, 2012**

CIDMS #: **647411**

Client	Starfield Resources Inc.		
Mailing Address	120 Adelaide Street West, Suite 900 Toronto, Ontario Canada M5H 1T1 Phone: (416) 860 0822 Fax: (416) 860 0822		
Inspection site location	N 62° 53' 32.4" W 96° 54 15.1"		
Contact name	Ray Irwin	Title	V.P Exploration
Last inspection date	Aug 06, 2011	Aug 11, 2009	
Region	Kivalliq		



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RE: Inspection of Water License 2BE-FER0712

The Ferguson Lake Project is general located at N 62° 53' 32.4" W 96° 54 15.1" in the Kivalliq Region of Nunavut. The Licensee, Starfield Resources Inc. ("Starfield") holds two Land authorizations with AANDC -N2007X0011 and N2008C0036- and one water authorization, 2BE-FER0712.

At the time of this writing all the authorizations for this project had expired. The Licensee has enlisted the services of Rescan to obtain the required authorizations.

On July 13th, 2012 a routine compliance inspection was completed at the Ferguson Lake Project by AANDC Inspector Christine Wilson. On July 20th, 2012 a copy of the Record of Inspection (ROI) was sent via email to Ray Irwin, V.P of Exploration, Starfield Resources Inc. This form outlined the following compliance issues to be addressed:

- The License expired on July 1st, 2012.
- Care and maintenance is required immediately; the earthen berm holding drums of hydrocarbon has accumulated a large amount of water.
- The exterior of the earthen berm walls show signs of hydrocarbon staining and overtopping at the northern side of the structure.
- Water with in the berm appears to be contaminated; the water smells of hydrocarbons and has visible sheen
- Hydrocarbon staining indicates spills have occurred around site in numerous locations
- Drums of hydrocarbons are found outside of secondary containment
- Spills have not been reported to spill line
- Garbage and debris scattered around site
- Domestic waste noted outside of incinerator
- Hazardous waste is noted around the site (ect. Oil filters, absorbent materials, fuel kegs, jerry cans, pressurized cylinders)

The ROI also indicated all actions required by the Licensee shall be completed 30 days following receipt of the ROI.

August 20th, 2012 the Inspector extended the submission date 30 days as the document submitted by the Licensee were found to be unsatisfactory to the Inspector. The Licensee did inform the Inspector that issues identified in the ROI had been addressed by a maintenance crew in August, 2012, but without the work summary and photographs required by the Inspector this was never verified.

September 20th, 2012 the Inspector issued a final notice for the required documents. The Licensee indicated issues with available resources to produce such documents. The



following day the Licensee notified the Inspector a Care and Maintenance Plan was sent via the mail. November 04th, 2012 the Inspector received the Care and Maintenance Plan. The Licensee was notified that the document, as is, would be accepted but a revised version shall be submitted with the annual report for 2012.

January 16th, 2013 the Licensee submitted a renewal application to the Nunavut Water Board.

March 7th, 2013 the Licensee declared intend to seek bankruptcies protection.

Part A: Scope and Conditions

No issues were found with respect to the information contained within this section of the license. The license, as issued, is a Type "B" license classed as Industrial –Type B

Part B: General Conditions

A review of the Nunavut Water Board FTP site was conducted during the writing of this report. License 2BE-FER0712 was issued on October 2, 2007 for a period of 4 years. An annual report for year 2007 is available for review. The proponent is reminded that in accordance with the Water License an annual report is required to be filed no later than March 31st of each calendar year. The Licensee must submit an annual report as required in item 2 of this section for 2008, 2009, 2010, 2011 and 2012.

The Licensee is reminded that it is the responsibility of the Licensee to ensure that any documentation submitted by the Licensee to the Nunavut Water Board ("NWB") is acknowledged by the Manager of Licensing.

Part C: Conditions Applying to Water Use

A letter submitted by the Licensee to Nunavut Water Board on the 20th of April 2009 indicated the Ferguson Lake Camp would be entering temporary closure and would reopen at a time when market had improved. Subsequently the site has remained relatively inactive with no water was used in 2012.

Part D: Conditions Applying to Waste Disposal

During the inspection on July 13th, 2012 an excessive amount of hazardous materials, empty drums, inert metals and other waste is being stored onsite. Hazardous waste generated through the life of the project is to be backhauled annually. The Project description submitted with the application in 2007 indicated one propane cylinder to be estimated in the fuel used annually. The Inspector counted 100+ propane cylinders; this would indicate that hazardous waste generated from this project has remained onsite.

Part E: Conditions for Camps, Access Infrastructures and Operations

No issues were noted with respect to this section of the license.

Part F: Conditions Applying to Drilling Operations

No drilling activities were in progress at the time of inspection. During the July 13th inspection a staging area was noted at a few kilometers from camp to the west.

Part G: Conditions Applying to Modifications



No issues were noted with respect to this section of the license.

Part H: Conditions Applying to Spill Contingency Planning

Item 1 of this section required the Licensee to submit criteria i-v as an addendum to the document titled “B.1 Ferguson Lake Camp Spill Contingency Plan” within 30 days of license issuance. With the information available at the time of this writing it appears the Licensee failed to submit the revised document.

During the July 13th, 2012 inspection numerous spill were noted around the Ferguson Lake Camp. Item 5 of this section requires the Licensee to report all spills; duties to report were not fulfilled.

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

Item 1 of this section requires the Licensee to submit criteria i-iii as an Addendum to the Plan referred to in this section. With the information available to the Inspector at the time of this writing it appears the Licensee failed to submit the revised document

The Plan titled “A.1-Abandonment and Restoration Plan 2007” details procedures for temporary shutdown. Specifically the Plan details the backhaul of fuel drums to approved facility. During the July 13th inspection 200+ fuel drums are being stored at the site therefore the Licensee has failed to carry out Plans to their full extent.

Item 3 of this section requires the Licensee to complete all restoration activities before the expiry of the license. Seeing that the License expired on July 1st, 2012 and the site still remains, the Licensee has failed this requirement.

Part L: Conditions Applying to the Monitoring Program

Following the July 13th a Care and Maintenance Plan was submitted by the Licensee to the Inspector. This Plan committed the Licensee to quarterly monitoring requirements at the Ferguson Lake Camp.

Taking into account the economic situation with Starfield and the coming freshet, this Inspector is concern that the site will remain unmonitored through freshet which may result in a release of hydrocarbons contaminated water.

Comments:

- A quarry is to the north of the main camp. The pit has accumulated a large amount of water
- The old camp across Ferguson Lake, which used to be occupied by Starfield, still remains. It is unclear to the Inspector who is liable for the site as correspondence in the early years of the Ferguson Lake Project indicate that Starfield accepted some responsibilities to clean up the hazardous waste contamination around the site.

Non-Compliance:

Issues where there is a known or suspected violation of a requirement of the water license or Act:

Part B (2) - Failure to meet Annual reporting requirements

Part H (1) - Failure to submit addendum to Plan referred to in this section

Part H (5) - Failure to fulfill duties to report



- Part I (1)** - Failure to submit addendum to Plan referred to in this section
Part I (3) - Failure to complete restoration activities before expiry
Part I (4) - Failure to complete removal of camp and associated items before expiry
Part L (7) - Failure to met Inspector imposed monitoring requirements

Failure to undertake/ implement corrective measures, to the satisfaction of the Inspector, may result in enforcement action(s) being undertaken pursuant to the *Nunavut Waters and Nunavut Surface Rights Tribunal Act*.

Christine Wilson

Inspector's Name

Inspector's Signature

- Cc: **Phyllis Beaulieu** – Manager licensing – Nunavut Water Board
Cc: **Erik Allain**- Manager of Field Operations- Aboriginal Affairs and Northern Development Canada



PHOTO LOG: 2BE-FER0712

July 13, 2012 INSPECTION

C. Wilson

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Ferguson Lake Camp, July 13th, 2012 Cwilson



Empty Fuel Drums and Secondary Containment, Ferguson Lake Camp, July 13th, 2012 Cwilson



Unsecured waste, Ferguson Lake Camp, July 13th, 2012 C.wilson



Main Camp, Ferguson Lake Camp , July 13th, 2012 C.wilson



Earthen berm and contact water, Ferguson Lake Camp, July 13th, 2012, C.wilson



P50, Heating oil and Gasoline, Earthen berm, Ferguson Lake, July 13, 2012 C.wilson



Visible sheen on water in earthen berm, Ferguson Lake, July 13th, 2012, C.wilson



Bubbling in impermeable liner, earthen berm, Ferguson Lake Camp, July 13th, 2012 C.wilson.



Required care and maintenance, Ferguson Lake Camp, July 13th, 2012, C.wilson



West Staging Area, Ferguson Lake Camp , July 13th, 2012 C.wilson



Quarry, Ferguson Lake Camp, July 13th, 2012 C.wilson



Hazardous Waste dump at old camp, Ferguson Lake Camp, July 13th, 2012, C.wilson



Old Camp, Ferguson Lake Camp, July 13th, 2012 C.wilson



*Core and Rock samples storage at old camp, Ferguson Lake Camp, July 13th, 2012
C.wilson*