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LETTER SENT BY E-MAIL

September 24, 2009

Mr. Andrew Keim
Inspector
Department of Indian and Northern Affairs Canada
Nunavut Regional Office
Building 553
PO Box 100
Iqaluit, Nunavut X0A 0H0

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Dear Mr. Keim:

SITE ACTIVITY UPDATE

This letter is to provide you with an update of our activities on site at Ferguson Lake camp since our arrival last Saturday, September 19th.

Accumulated Water in the Fuel Storage Area

The treatment system arrived on site on Monday, September 21st. The system was constructed, mounted and contained within secondary containment on the top side of the fuel storage area. The system was started up on Tuesday, September 22nd and let run for one hour to flush the fines through the system. The water that was pumped through the system was pumped directly back in to the fuel storage containment area. On Wednesday, September 23rd, the system ran for 6 hours. The treated water was pumped back in to the fuel storage containment area except when pumped in to additional secondary containment established on the top side of the containment area for the purpose of collecting samples.

Depths were taken throughout the fuel storage area to establish as accurate a volume estimate as possible. We estimate that there is approximately 200,000L of water accumulated within the fuel storage area. Given that there are a number of drums, two enviro-tanks and empty fuel bladders stored within the fuel storage area, which will contribute to water displacement, we estimate that there is approximately two days of dewatering needed to drain the accumulated water down.

Six samples were collected within the fuel storage area before treatment. These samples were collected at six different locations within the fuel storage area and purposefully water with a visible sheen (three

locations) was sampled. Four samples were collected after treatment during the six hours that the system ran. The samples were picked up yesterday via charter and taken to Thompson, MB where they will be transported by air cargo to the ALS lab. Once these sample results are received a mass balance calculation will establish the media efficiency and a final plan, including a sampling/monitoring program during pumping, will be submitted to you.

Contaminated Soil

The secondary containment structures holding empty drums and crushed drums have filled with water and have over-topped the structures in places causing soiling of the gravel. The water within these structures will be pumped out and stored in a tank over winter until it can be treated and tested next year. The contaminated gravel will be collected into empty drums and stored over winter inside one of the buildings at site.

Garbage

Garbage and debris is being collected from the tundra and a general site clean up is underway. The empty drums are being re-stacked and the crushed drums that were removed from the sleds during the winter and left are being re-stacked within secondary containment.

Documentation

Photographs are being taken of all on-site activities and will be included in a report which will be sent to you upon program completion.

Yours truly,

Allison Rippin Armstrong
Director of Environment and Permitting

c.c. Phyllis Beaulieu, Nunavut Water Board
 Bernie MacIsaac, INAC
 Peter Kusugak, INAC
 Kevin Buck, INAC
 Tanya Trenholm, INAC
 Luis Manzo, Kivalliq Inuit Association
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 Fred Mason, VP Operations, Starfield Resources
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