

ENVIRONMENTAL INSPECTION REPORT

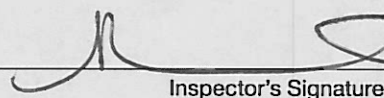
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The area where barrels are currently stored is not suitable; it is soft and leads to stacks falling over. This is an unacceptable risk. This quantity of fuel needs to be kept on solid ground and ideally in storage tanks. Bladders are known for being unreliable in arctic environments. If barrels were properly stored, staff would be able to attend to smaller risks: maintenance of drip trays under heating barrels, modifying barrel stands to fit the new containment, routine inspections of maintenance shops to ensure use of containment and to stay on top of small spills. Remote fuel caches also need regular checks. Spill was discovered at Umwelt Fuel Cache and is to be reported.

Past drill practices employed at this site are unacceptable. Large areas of salt-burned vegetation (dead) at each drill site visited, and two sites/holes noted where practices have caused extensive subsidence. New polydrill system looks encouraging. Cuttings are not to be spread over vegetation; if not collecting in megatotes, then they are to be directed to a rocky area as per the licence. All refuelling is to occur over drip trays. Water for drills is to be pumped from water bodies that will not be drawn down. (cont. p 3)

Alfred G. Ken
Representative's Signature


Inspector's Signature

Superintendent of Operations
Representative's Title

RMO Initials

District Mgr. Initials

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Date: 8 July 2012

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Action to be taken:

- holes that caused subsidence / thermokarst are to be backfilled immediately before further damage occurs.
- grey water to be managed as per Andy McMullen's report.
- drill management practices to include use of polydrill and management of cuttings. Drilling SOP's to be reviewed. Draft presented to inspector by Oct 31 2012 and final included in Annual Report.
- Fuel Management Plan submitted to inspector and NWB by Sept 30 2012.
- Progressive reclamation of drill sites inspected today to be reported (including photos) to inspector every 30 days. Reporting of future sites may be required.
- Major's pails of oils / drill grease to be stored in containment within 2 weeks. Photos to be submitted to inspector.

Alfred H. Penner
Representative's Signature

Inspector's Signature

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