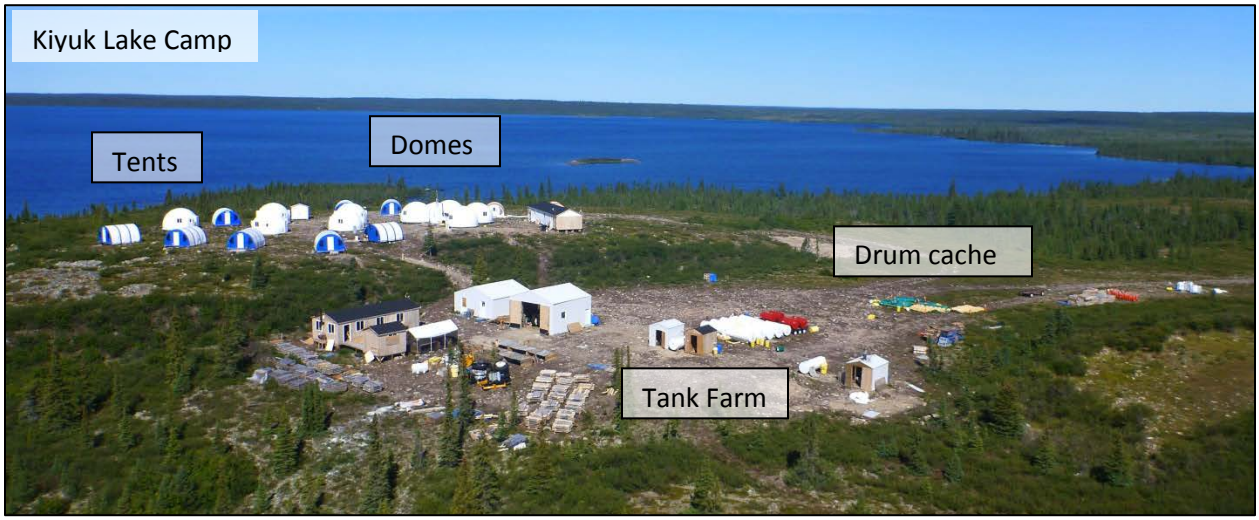
Kiyuk Lake Field Visit and Inspection - August 2015



Hello Christine,

Northern Empire conducted a field visit to Kiyuk Lake in late August, after your site stop-over and noting some damage there in July. The goal of our visit was to respond to your concerns as soon as possible and before winter. To this end, a two person crew was dispatched to Nunavut to clean-up/winterize the Kiyuk camp, inspect fuel storage and remediate two minor spills noted during your visit. However during inspections, further fuel releases were discovered. These were addressed, reported and documented, as detailed below.

The following camp clean-up issues noted during your field visit were remedied:

- Two Weatherhavens blown off their footings were dismantled and stored
- Repairs were made to tent windows, doors and structures were sealed for winter
- Garbage spread around and in tents was cleaned up and incinerated. There was evidence of both wildlife and human damage, with theft of fuel and tools likely

In addition to general clean up, removal of debris and winterization of camp facilities, all fuel use and storage sites were investigated (drums, berms, storage tanks):

- All drums used for heating (hot tanks) were removed from stands and pumped into bulk storage tanks.
- Secondary containment berms around fuel heater drums (hot tanks) were inspected for fuel sheen and/or fuel smell. If no sheen or smell found the water was drained and the drum removed. In two instances minor amounts of fuel sheen was found in the contained fluid. This water/fuel mix was pumped out of containment into a drum, which was sealed and stored for future demobilization.
- Multi-drum storage berms were inspected and drained using Rain-drain berm filtration systems. Each berm was then tarped and left with new Rain-drains attached to prevent future water accumulation. One berm that was destroyed was replaced with a new berm and tarped.
- All bulk fuel storage tanks were inspected and labelled. All of the bulk tanks were in good condition except for tank #8 where a drip leak was immediately noticed at the bottom valve cap.

The bottom valve, which was found to be loose was immediately tightened and the leak stopped. The tank was pumped dry to ensure no future leaking from the valve

- In all, four separate fuel spills were documented and reported following return from the field (15-379, 15-380, 15-381, 15-382). Two of the smaller spills (15-380 & 15-381) were remediated by digging until no further contamination of soil could be seen or smelled. The dirt was stored in sealed bags for future demob from site. Two larger spills from an upset drum and dripping tank (155-379 & 15-382) were halted by fixing the leak, removing remaining fuel and excavating as much soil as time permitted.

Details of each spill occurrence are as follows:

- 15-379 – Type: Diesel - Tanked / Amount spilled: est 700 to 2000L (unsure initial volume) / Location: Kiyuk Camp (60°27'49"N 101°23'05") Bulk tank #8 on east side of camp beside helipad / Clean up Measures: fixed valve leak, pumped out 1300L remaining fuel, further work needed
- 15-380 – Type: Diesel – Drum / Amount spilled: 10-50L / Location: Kiyuk Camp (60°27'49"N 101°23'05") Central camp, heating drum behind dome / Clean up Measures: Secondary containment and drum drained, soil excavated and stored
- 15-381 – Type: Diesel – Drum / Amount spilled: 10-50L / Location: Kiyuk Camp (60°27'49"N 101°23'05") West side camp, heating drum behind tent / Clean up Measures: ¾ full drum drained, soil excavated and stored
- 15-382 – Type: Diesel – Drum / Amount spilled : 155L / , Location: Kiyuk Camp (60°27'49"N 101°23'05") West side camp, heating drum behind tent / Clean up Measures: ¼ full drum drained, soil excavated as much as possible and stored
- The camp has recently been inactive due to uncertain market conditions causing a hiatus in exploration. The spills therefore occurred sometime between August 2013 and July 2015. All spills are in excess of 200m from the nearest water body (Kiyuk Lake)
- Remaining fuel on site (16 Tanks / 102 Drums): Diesel: 26455L / Jet A-B: 43955L / Gas: 1905L
- Operations and camp site permits are up to date (NIRB# 11EN019, AANDC# N2011C0011 and NWB#2BE-KLG1116) and include Spill Contingency Plans submitted to these agencies.

As requested, we've attached a care and maintenance plan, plus before and after photos of the site clean-up. You previously received copies of the spill reports (15-379 to 15-382) from Olivia Brown when she emailed the reports and reported by phone to the Spill Line on September 16.

Going forward, we will monitor the Kiyuk camp and spill sites until Northern Empire can determine best course of action, conduct further remediation/excavation and investigate removal of the remaining fuel. Northern Empire will return to site in spring/summer 2016, however we will be looking into third parties visiting the site on our behalf using either caretakers at Ennadai Lake (40km west) or locals travelling through the area from Lac Brochet, MB.

In addition, we were contacted directly by David MacDonald from Environment Canada. We will answering specific questions from Mr. Mac Donald in a reply later this week, which you will be cc'd on.

Jim Paterson
CEO, Northern Empire Resources Corp.

Christopher Pennimpede
Contract Geologist

TENT REPAIRS AND CLEANUP

Figure 1: Displaced Tent 2.

Figure 2: Original location of Tent 2.

Figure 3: Tent 2 site after tent removal.

Figure 4: Original location of Tent 2 after clean up.

Figure 5: Tent 3 damage before clean up.

Figure 6: Tent 3 after clean up.

Figure 7: Inside Tent 4 before clean up.

Figure 8: Inside Tent 4 after clean up.

Figure 9: Outer damage to Tent 4 before repair.

Figure 10: Outer damage to Tent 4 after repair.

Figure 11: Winterization of Tent 4 door.

FUEL BERM REPAIR

Figure 12: Fuel berm damage before replacement.

Figure 13: Fuel berm after replacement.

Figure 14: Same fuel cache covered.

Figure 15: Fuel berms drained.

Figure 16: Fuel berms with rain drains.

Figure 17: Fuel berms covered.

SECONDARY CONTAINMENT CLEAN UP

Figure 18: Emptying of secondary containment.

Figure 19: Secondary containment after drainage.

HOT TANK CLEAN UP

Figure 20: Hot tank before removal.

Figure 21: Hot tank area after tank removal and cleanup.

SPILL REPORT PHOTOS (#15-379 TO 382)

Figure 26: #15-379 – Bulk tank #8 Leak repair

Figure 27: #15-379 - Pumping out bulk tank #8 after

Figure 28: #15-380 – Drum spill area before and cleanup

Figure 29: #15-380 –After clean up

Figure 30: #15-381 - Drum spill area before

Figure 31: #15-381 - After clean up

Figure 32: #15-382 - Drum spill area before

Figure 33: #15-382 - After clean up

FUEL TANK LABELLING

Figure 22: Fuel tank label.

Figure 23: Fuel tanks labelled.