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May 13th, 2008

Your file - Votre référence

Our file - Notre référence

Avalon Ventures Ltd.
Suite 1901 – 130 Adelaide Street West
TORONTO, ON M5H 3P5

Attention: Mr. Don Bubar

**Re: Land Use Permit MV2007C0039
Mineral Exploration
Thor Lake, NT**

Dear Mr. Bubar,

An inspection of the Thor lake tent camp and drill program was conducted on May 12th, 2008 by Resource Management Officers Clint Ambrose and Nahum Lee. The inspection was carried out to ensure that conditions annexed to the above noted Land Use Permit are being adhered to during this operation.

All of the completed ice based drill sites were inspected and no concerns were noted. One concern noted at the camp that must be addressed immediately is the storage and ultimate disposal of garbage. Garbage stored on site must comply with condition #36 of the land use permit, and the Inspector highly recommends that the Permittee research the use of a fuel-air fired incinerator. Your copy of the Environmental Inspection Report is enclosed and should be self explanatory.

If you have any questions or concerns, please contact Mr. Nahum Lee at (867) 669-2757 or the undersigned at (867) 669-2794.

Yours Truly,

Clint Ambrose
Resource Management Officer III
South Mackenzie District
Indian and Northern Affairs Canada

cc: RMO Files
MVLWB
Chris Pederson - via e-mail
Harvey (Peak Drilling) – via email

Canada



ENVIRONMENTAL INSPECTION REPORT

Permittee:	Avalon Ventures Ltd.	Inspection Date – May 12th, 2008
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		Permit Expiry Date	Last Previous Inspection
Land Use Permit No.	MV2007C0039	July 4 th , 2009	March 19 th , 2008
Quarrying Permit No.			
Contractor:	Peak Drilling	Subcontractor:	

Location(s) Inspected:	Thor lake tent camp and drill program.
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Current Stage of Operation:	Drill was mechanical at the time of the inspection.
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Program Modifications Approved:	
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Condition of Operation "A" - Acceptable "U" - Unacceptable "N/A" - Not Applicable

	Operating Condition	Aspect Inspected			Condition
		Camp	Drill Sites		
A	Location and Area	A	A		
B	Time	A	A		
C	Type and Size of Equipment	A	A		
D	Methods and Techniques	A	A		
E	Type, Location, Capacity and Operation of All Facilities	A	A		
F	Control or Prevention of Ponding of Water, Flooding, Erosion, Slides and Subsidence of Land	A	A		
G	Use, Storage, Handling and Ultimate Disposal of Any Chemical or Toxic Material	A	A		
H	Wildlife and Fisheries Habitat	A	A		
I	Storage, Handling and Disposal of Refuse or Sewage	U	A		#35 Incineration #36 Garbage Container
J	Protection of Historical, Archeological and Burial Sites	A	A		
K	Objects and Places of Recreational, Scenic or Ecological Value	A	A		
L	Security Deposit	A	A		
M	Fuel Storage	A	A		
N	Methods and Techniques for Debris and Brush Disposal	A	A		
O	Restoration of the Lands	A*	A		#55 Backfill Sumps
P	Display of Permits and Permit Numbers	A	A		
Q	Matters Not Inconsistent With the Regulations	A	A		
R	Sections 8 to 16 M.V.L.U.R.	A	A		

ENVIRONMENTAL INSPECTION REPORT Pg. 2
(Continued)

Date: May 12th, 2008

Permit #: MV2007C0039

Explanatory Remarks

An inspection of the Thor lake camp and diamond drill program was conducted by Resource Management Officers Clint Ambrose and Nahum Lee. The inspection was carried out to ensure operating conditions annexed to the above noted land use permit are being adhered to during the operation.

Thor Lake Tent Camp: All of the previously noted concerns from the March 19th, 2008 inspection have been satisfactorily addressed.

The pit privy was relocated and a new sump dug. It was noted that the old sumps (2) have been covered with logs but still require backfilling as per condition #55 of the land use permit. A composting toilet was being set up at the time of the inspection adjacent to the pit privy.

The grey water sump functioned adequately throughout the winter drill program, but the Inspector was informed that as the ground began to thaw, grey water was noted coming to the surface. The Permittee responded immediately and piped the grey water line further back into the trees. The location of the discharge is in compliance with the land use permit conditions and the Inspector had no concerns with the location chosen by the Permittee.

The Inspector was also informed that the grey water sump will be further excavated, rocks placed inside and covered. No concerns were noted with the Permittee's proposal.

Garbage is being stored under a tarp on site and shipped off site via aircraft. The Permittee must ensure that condition #36 of the land use permit is adhered to as this was not the case at the time of the inspection. Garbage does not necessarily have to be stored in a metal container, but the current practice is unacceptable. The Inspector was informed that a box will be constructed on site.

With the limited amount of flights to site throughout breakup, the Inspector is concerned with the amount of garbage that could potentially be stored on site, and highly recommends that the Permittee research the options for a fuel-air-fired incinerator to ensure compliance with conditions #35 and #36 of the land use permit.

Hydrocarbon contaminated snow that was collected around the camp throughout the winter was placed into open top drums. Once melted the Permittee is going to burn off the free product and mop up any residuals with absorbent pads. The Inspector had no concerns with the proposed method of removing the hydrocarbons.

Drill Program: As per the previous inspection report, the Inspector was concerned that not all the cuttings/drill water was being collected. The Inspector was provided an email and photo on March 22nd, 2008 demonstrating that this concern was now addressed. The Inspector was pleased with the Permittee's response time to have this concern addressed.

Ice based drilling is completed for the season and final inspection of all ice based targets was completed. As per the previous inspections of the drill program, the Inspector was very pleased with the diligence demonstrated by the contractor to ensure that drills sites were kept clean during the drilling, and upon completion, the thorough cleanup that was conducted. No concerns were noted at any of the completed drill sites.

The disposal areas for the cuttings will have to be re-visited by the Permittee as the Inspector was informed that the plastic "sausages" remain and pieces of torn tarp. All plastics and other debris at the disposal areas must be removed for proper disposal.

The drill wasn't turning at the time of the inspection but fuel handling, cuttings disposal and brush disposal appeared to be adequate. The only concern noted was with a minor amount of rutting west of the drill. This concern was discussed with the 5th man on site who was going to rake the ruts out in this one location.

The Inspector was very pleased with the diligence of the Permittee and contractor to ensure compliance with condition #20 and #21 of the land use permit. Soft areas of the trails are being corduroyed and any where along the trails that should not be traversed are being flagged off to restrict travel along those sections.

Completed off Site
Representative's Signature

Clint Ambrose
Inspector


Inspector's Signature



MV2007C0039 - Avalon Ventures Ltd.
Peak's drill on a land based target.



MV2007C0039 - Avalon Ventures Ltd.
Secondary containment at the active drill.



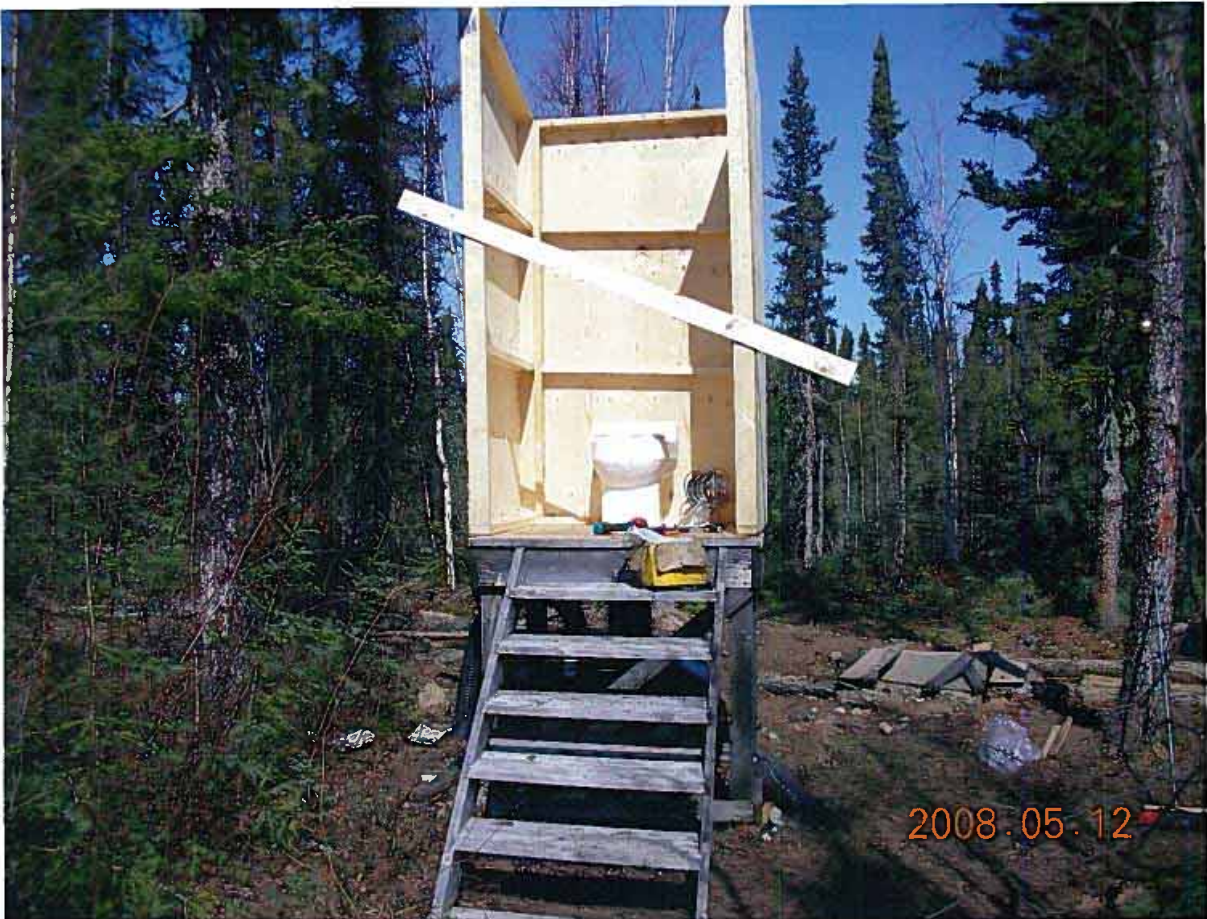
MV2007C0039 - Avalon Ventures Ltd.
Drip tray has been placed under the dozer.



MV2007C0039 - Avalon Ventures Ltd.
Garbage on site waiting backhaul. Permittee must come up with a better storage practice for garbage.



MV2007C0039 - Avalon Ventures Ltd.
Old sumps that require backfilling.



MV2007C0039 - Avalon Ventures Ltd.
New composting toilet being constructed adjacent to the pit privy.



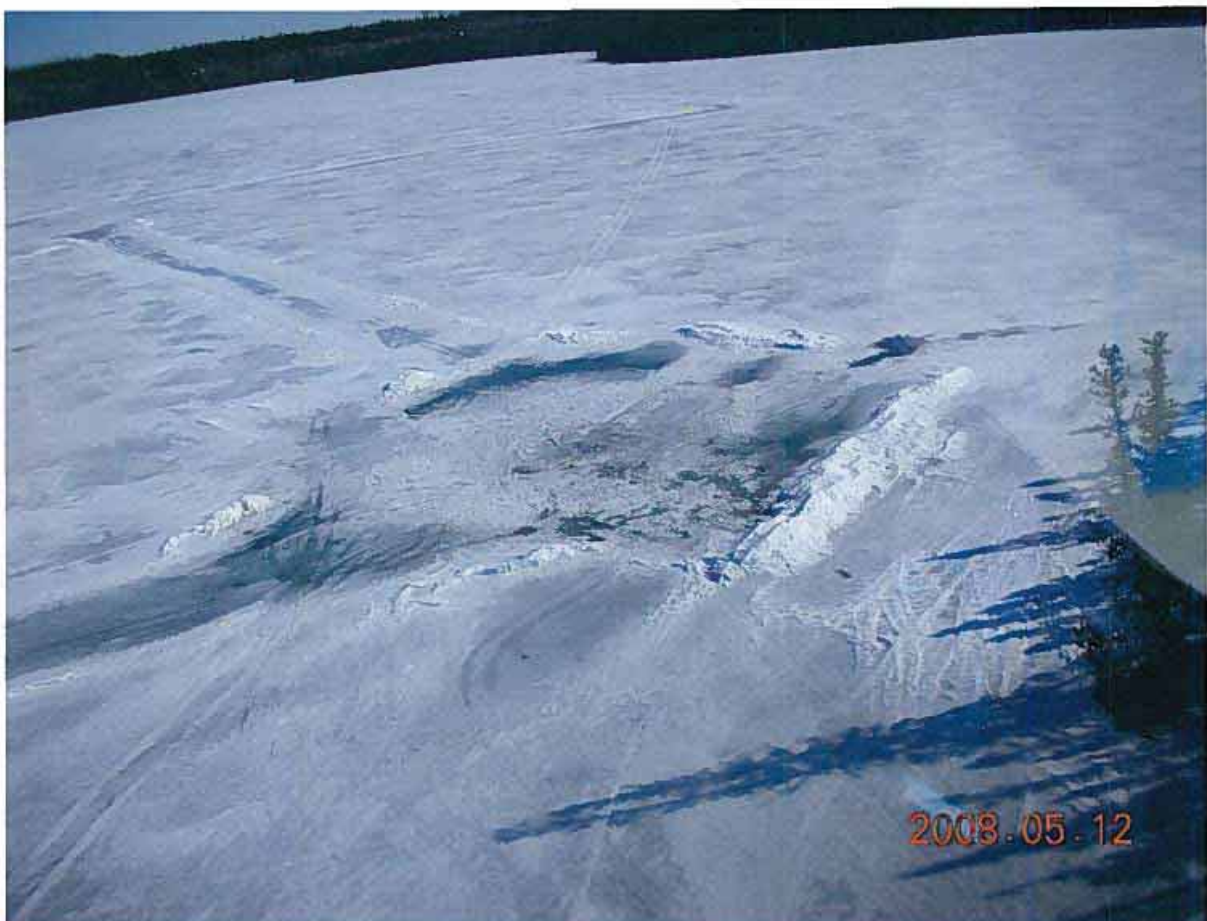
MV2007C0039 - Avalon Ventures Ltd.
Completed drill site on Thor lake.



MV2007C0039 - Avalon Ventures Ltd.
Completed drill site on Thor lake.



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Completed drill site on Thor lake.



MV2007C0039 - Avalon Ventures Ltd.
Completed drill site on Thor lake.



MV2007C0039 - Avalon Ventures Ltd.
Old fuel from the tanks in the background are being pumped into drums and utilized in the tent stoves.



MV2007C0039 - Avalon Ventures Ltd.
Bundles of absorbent pads readily available at the fuel cache.



MV2007C0039 - Avalon Ventures Ltd.
All fuel caches on site have been placed inside insta-berms.



MV2007C0039 - Avalon Ventures Ltd.
Drilling supplies are stored in insta berms as well.