



WATER USE INSPECTION REPORT

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| Date: August 8, 2010 | Licensee Rep. (Name/Title): Site(s) inactive on inspection (closure requested) |
| Licensee: Kennecott Canada Exploration Inc. | Licence No.: 2BE-ARN0507 (Arnak Project/Frost Lake Camp); LUP N2004H0033 |

This site is also identified under Crown Land Use Permit N2004H0033 and Inuit Owned Land Use Permit KTL 204C015 and KTL 204C016.

Multiple sites were found to be associated with the Arnak project activities: these sites were inspected with the intention to confirm closure of known sites at the following locations and referenced by the following permits (NAD 83, degrees/minutes/seconds):

2BE-ARN0507 (Water licence/2005 Annual Report submission): N67° 34' 19", W91° 00' 27"

- Nothing at coordinates indicated

LUP N2004H0033 (Land use permit): N67° 42' 32", W91° 36' 24"

- Large piece of metallic debris observed in the water
- Ground disturbance observed (from camp structure placement)
- Core boxes

Issues/Non-Compliance of Act or Licence:

While a Notice of Errata 3 was issued by the Nunavut Water Board changing the coordinates approved in the water licence from N67° 34' 19", W91° 00' 27" to **N67° 42' 27", W91° 36' 58"**, the previous coordinates were cited in the Licensee's submission of the 2005 Annual Report. The Licensee also indicates that a final inspection of the camp site was planned for the summer of 2007.

A closure request sent via email (by troy.gill@kennecott.com) was found on the NWB's ftp site dated February 20, 2007 with the submission of the 2005 Annual Report, and indicates that the camp was dismantled in summer of 2006.

There is no further record available from the NWB's ftp site which indicates Kennecott submitted a final closure plan/documentation for the site(s) associated with the requirements of the water licence and the approved Abandonment & Restoration Plan (2004) submitted by the Licensee. It is further noted that the required Addendums to the Abandonment & Restoration Plan and Spill Contingency Plan were never filed.

As per Part B, G and I of the licence 2BE-ARN, closure cannot be recommended for this site until the Licensee submits the required information as per the final closure plan noted above. This is to include the locations of all fuel storage areas associated with the project activities and confirmation of their removal, confirmation of wastes backhauled and location of final disposal. The Licensee is also responsible to arrange for removal of the metal debris.

If the Licensee has not already done so, they are to address the issues identified above, in a Compliance Plan satisfactory to the Inspector, to be provided within 30 days of receipt of this report.

Melissa Joy

Inspector's Name

Sent by E-mail

Inspector's Signature



**Inspection Photographs (August 8, 2010) for 2BE-ARN0507, at coordinates
N67° 42' 32", W91° 36' 24" (NAD 83), taken by Water Resource Officer Melissa Joy**



Photograph 1: Aerial view of former camp site for 2BE-ARN: core boxes, former structure location and metal debris are visible from helicopter



Photograph 2 (2BE-ARN):
Metal debris in the water



Inspection Photographs (August 8, 2010) for 2BE-ARN0507, at coordinates N67° 42' 32", W91° 36' 24" (NAD 83), taken by Water Resource Officer Melissa Joy



Photograph 3 (2BE-ARN): Former camp structure(s) location



Photograph 4 (2BE-ARN): Core boxes